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NORTH AMERICA INSIGHT

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Microsoft

Battle of the AI Stack: Infrastructure to Knowledge Workers – Azure and Copilot Are Set to Inflect

WHAT'S CHANGED

Microsoft (MSFT.O)	From	To
Price Target	$650.00	**$600.00**

Greater than expected capacity-driven Azure growth inflection and Copilot monetization supports high-teens revenue growth. Meaningful gross margin % headwinds are offset by operating leverage, yielding >20% EBIT & EPS growth, making 16x FY28 GAAP EPS too cheap. OW, $600 PT

Key Takeaways

- Azure and Copilot are key to the stock and both are set to inflect. Timing (near-term) and degree of inflection are not well reflected by the market
- Azure sentiment will improve as incremental near/medium-term supply serves robust demand, driving higher than expected Azure growth for longer
- Copilot driving ARPU now a three-pronged story: Copilot seats, E7 and consumption, creating one of the largest ARPU expansion opportunities in MSFT history
- Capex yields sustainable high-teens revenue growth; operating leverage from scale + opex discipline enables Op margin expansion despite GM pressure
- 16x FY28 GAAP EPS too cheap for >20% earnings growth. Conservatively apply 1.2x PEG / 25x PE, discount to peers, yielding 50% upside to new $600 PT

With this report, Adam Wood is assuming coverage of Microsoft (MSFT) with an Overweight Rating and $600 PT.

Azure and Copilot Are Keys to the Stock and Both Are Set to Inflect. Azure, Copilot, and the trajectory of gross margins are becoming the clearest indicators Microsoft's AI investments are translating into durable value creation. Azure reflects the monetization of infrastructure demand, while Copilot reflects the monetization of AI at the application layer. **Catalyst Path:** As both businesses continue to inflect, with Azure growth acceleration in C2H26 and Copilot adoption continuing to scale across the enterprise, we believe better-than-expected Azure and Copilot results in the next few quarters can serve as a catalyst for a positive re-rating. At the same time, the trajectory of gross margins will be key in determining the long-term earnings power and ROI of Microsoft's AI investments, with Azure AI margin

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Microsoft (MSFT.O, MSFT US)

Software | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$600.00**
Shr price, close (Jul 20, 2026)	$402.29
Mkt cap, curr (mm)	$2,995,049
52-Week Range	$555.45-349.20

Fiscal Year Ending	06/25	06/26e	06/27e	06/28e
EPS ($)**	13.64	17.35	19.62	23.86
Prior EPS ($)**	-	-	-	-
P/E	36.5	21.5	20.5	16.9
EPS ($)§	-	16.78	19.40	22.78
Div yld (%)	0.7	1.0	1.0	1.1

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	3.30	-	3.72a	-	4.71
Q2	3.23	-	5.16a	-	4.86
Q3	3.46	-	4.27a	-	4.92
Q4	3.65	-	4.21	-	5.13

e = Morgan Stanley Research estimates, a = Actual Company reported data

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improvement over-time combining with significant scale and operating leverage to sustain operating margin expansion and >20% earnings growth. We analyze several key Microsoft debates in this note:

- **Azure** – what is the return on Microsoft's ramping AI infrastructure investments, particularly given capacity is split across Azure AI, Copilot, general cloud, other 1st party applications, R&D and training? With this report we increase our Azure estimates, now looking for **three more years of Azure growth acceleration and durable >40% YoY growth, 5%/8% above consensus in FY28/FY29, supported by our new MS Azure AI Monetization Model (Exhibit 7). What the Market is Missing: Our analysis suggests the market is incorrectly pricing Azure AI as a bare-metal provider; higher level AI services and platform pull-through creates upside to Rev/MW and EBIT/MW.**
- **Copilot** – does the new GenAI competitive landscape for knowledge workers threaten Microsoft's M365/Office franchise?... or can Copilot follow the historical Microsoft precedent of eventually getting the important categories right, driving meaningful ARPU contribution and durable M365 Commercial Cloud growth? With this report we increase our Copilot and M365 Commercial Cloud estimates reflecting our refreshed M365 P x Q model and our proprietary MS CIO Survey data (Microsoft: 2Q26 CIO Survey Takeaways – GenAI Leadership Position Remains Clear (16 Jul 2026)). **What the Market is Missing: Copilot and the broader E7 opportunity have the potential to become one of the most significant ARPU expansion opportunities in Microsoft's history**.
- **Gross Margins** – can Microsoft demonstrate attractive yield on capex, delivering meaningful AI gross margin improvements through utilization, pricing, operational efficiency, software optimization, and first-party silicon to protect 20% EBIT growth? With this note, we lower our gross margins following a detailed analysis of Azure AI, Azure, Cloud margins and a gross margin bottom-up view of every Microsoft business. We also **1)** benchmark gross margins vs. similar AI infrastructure businesses, **2)** dig into the long history of Microsoft's Cloud gross margin improvements, and **3)** lay out the main drivers of AI related gross margin expansion.

Exhibit 1: MS Azure AI Monetization Model Summary

FY28E Metrics	Scenario #1	Scenario #2	Scenario #3
Azure AI Capacity (GW)	8.71	8.71	8.71
Azure AI Revenue ($M)	$86,203	$117,941	$198,255
Downside/Upside to Current MSe (Total Azure)	*-3.0%*	*11.7%*	*49.1%*
Azure AI Revenue/MW ($M)	$9.90	$13.54	$22.77
Gross Margin % (ex-Revenue Share)	25.0%	30.0%	35.0%
EBIT/MW (ex-Revenue Share)	$1.39	$2.57	$5.46

Source: Company data, Morgan Stanley Research

Leader Across Software Moat and Journey Framework – #1 Position Overall and Compelling Valuation Keeps us Firmly OW MSFT. As part of our broader software assumption of coverage note (see The Moat & The Journey – Assessing Software

Durability + Growth in the Age of AI), Microsoft screened as the highest-ranked company across our software universe. We believe Microsoft combines one of the strongest competitive moats in software with a highly attractive AI opportunity set, supported by its unparalleled enterprise distribution, broad product portfolio, and presence across both the application and infrastructure layers of the AI stack. Microsoft's position at the center of enterprise workflows, coupled with its ability to embed AI capabilities across products, including Microsoft 365, Azure, Security, and more, leaves the company well-positioned to benefit as AI adoption continues to scale. Importantly, despite its leadership position, we continue to view Microsoft's valuation as compelling relative to its growth durability and strategic AI positioning, keeping us firmly Overweight.

Assume Coverage at Overweight and $600 PT. 16x FY28 GAAP EPS too cheap for >20% earnings growth. We conservatively apply 1.2x PEG / 25x PE to FY28 EPS of $23.86, discount to large-cap software peers at a 1.4x PEG, yielding 50% upside to new $600 PT. **Risk to the Upside - $$795 Bull Case:** Azure AI economics resemble Core Azure from a Rev/MW and margin perspective and the market recognizes this upside (see scenarios 2 and 3 in Exhibit 7). Copilot drives material M365 acceleration and operating margins expand to ~49% in FY28 driving $27+ EPS. **Risk to the Downside - $$250 Bear Case:** Azure AI monetizes like bare-metal provider (see scenario 1 in Exhibit 7), limiting upside and margin improvement; Copilot adoption stalls due to competition and M365 growth decelerates.

Summary of Model Changes. We are modestly increasing our revenue estimates, driven primarily by stronger Azure AI and Microsoft 365/Copilot assumptions, partially offset by lower expectations within More Personal Computing (primarily Gaming). At the same time, we lower our out-year gross margin assumptions to reflect a greater mix of Azure AI and M365 Copilot revenue and elevated AI-related depreciation expense. However, continued operating expense discipline offsets these headwinds, resulting in similar / slightly higher operating income and EPS estimate upgrades relative to our revenue upgrades. The updated earnings outlook drives modestly higher operating cash flow and free cash flow. We also incorporate an incremental $45bn debt issuance in FY28 and lower our share repurchase assumptions in the out years, reflecting Microsoft's greater willingness to preserve balance sheet flexibility amid elevated AI-related investment opportunities. Collectively, these changes result in higher ending cash and short-term investment balances relative to our prior model. *See Exhibit 22 for a more detailed summary of model changes.*

Exhibit 2: Summary of Model Changes (Azure Revenue) – Raising our Azure Revenue Estimates in the Out Years, Supported by Our MS Azure AI Monetization Analysis

($mns)	FY26	FY27	FY28	FY29
Prior MSe - Azure and Other Cloud Services Revenue	$105,605	$149,423	$209,338	$291,186
YoY Growth %	*66%*	*41%*	*40%*	*39%*
Current MSe - Azure and Other Cloud Services Revenue	**$105,605**	**$150,299**	**$214,928**	**$305,942**
YoY Growth %	*40%*	*42%*	*43%*	*42%*
% Difference	*0.0%*	*0.6%*	*2.7%*	*5.1%*

Source: Morgan Stanley Research, Company Data

Exhibit 3: Summary of MS Estimates vs. Consensus

($mns)	FY26	FY27	FY28	FY29
Total Microsoft 365 Commercial Cloud Revenue (Cons)	$89,884	$102,005	$115,065	$131,758
Total Microsoft 365 Commercial Cloud Revenue (MSe)	**$89,256**	**$102,312**	**$118,531**	**$136,979**
% Difference	*-0.7%*	*0.3%*	*3.0%*	*4.0%*
Total Azure and Other Cloud Services Revenue (Cons)	$105,862	$148,930	$204,617	$283,735
Total Azure and Other Cloud Services Revenue (MSe)	**$105,605**	**$150,299**	**$214,928**	**$305,942**
% Difference	*-0.2%*	*0.9%*	*5.0%*	*7.8%*
Total Revenue (Cons)	$329,554	$385,309	$455,397	$549,998
Total Revenue (MSe)	**$329,533**	**$389,310**	**$474,072**	**$587,510**
% Difference	*0.0%*	*1.0%*	*4.1%*	*6.8%*
Gross Profit (Cons)	$223,538	$256,575	$297,800	$351,688
Gross Profit (MSe)	**$223,142**	**$255,792**	**$305,440**	**$372,606**
% Difference	*-0.2%*	*-0.3%*	*2.6%*	*5.9%*
Gross Margin (Cons)	67.8%	66.6%	65.4%	63.9%
Gross Margin (MSe)	**67.7%**	**65.7%**	**64.4%**	**63.4%**
% Difference	-11.6bps	-88.5bps	-96.4bps	-52.2bps
Operating Expenses (Cons)	$69,730	$76,502	$85,343	$96,385
Operating Expenses (MSe)	**$69,717**	**$74,604**	**$84,114**	**$95,156**
% Difference	*0.0%*	*-2.5%*	*-1.4%*	*-1.3%*
Operating Income (Cons)	$153,632	$179,022	$211,544	$257,457
Operating Income (MSe)	**$153,426**	**$181,188**	**$221,326**	**$277,450**
% Difference	*-0.1%*	*1.2%*	*4.6%*	*7.8%*
Operating Margin (Cons)	46.6%	46.5%	46.5%	46.8%
Operating Margin (MSe)	**46.6%**	**46.5%**	**46.7%**	**47.2%**
% Difference	-6.0bps	7.9bps	23.4bps	41.4bps
EPS (Cons)	$16.93	$19.47	$23.12	$28.41
EPS (MSe)	**$17.35**	**$19.62**	**$23.86**	**$29.83**
% Difference	*2.5%*	*0.8%*	*3.2%*	*5.0%*

Source: Company data, Morgan Stanley Research, Visible Alpha

Executive Summary

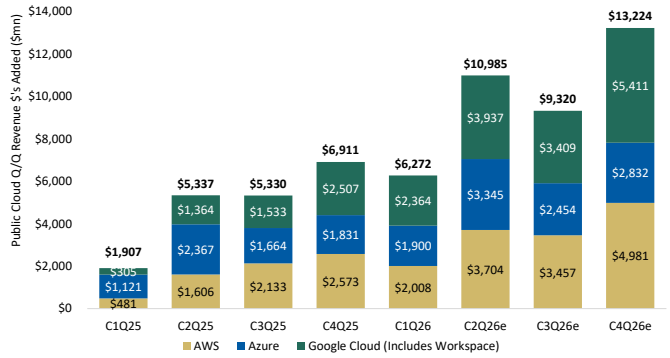
Azure Insights:

Despite Azure's Strong Secular Position and Modest Acceleration in Growth, Investors Skew Negative Given the Significant Ramp in Capex vs. Still Unproven ROIC. We Think This Sentiment Improves As Near/Medium Term Supply Drives Higher Than Expected Azure Growth for Longer. Over the past year, Azure growth has been constrained by supply of capacity, not by demand. Though Microsoft has brought incremental infrastructure online, management has consistently emphasized that demand continues to exceed available supply, while also highlighting the need to balance available capacity across Azure, 1st-Party applications and internal R&D initiatives. Against that backdrop, management guided Azure to grow 39-40% YoY in CC in F4Q26, while also having enough confidence and visibility to guide to a modest acceleration in C2H26 relative to C1H26, suggesting newly deployed capacity is beginning to convert into revenue at scale. Importantly, this comes at a time when Microsoft has remained fairly out-of-favor with investors at least partly due to the latest Azure growth trajectory relative to both the pace of capex revisions and the accelerating revenue trajectories currently being delivered by other hyperscalers (see Exhibit 4 & Exhibit 5).

Importantly, Investors May Be Underestimating the Magnitude And Durability of the Upcoming Azure Acceleration – Supported by Our Capex-Implied AI Revenue and Our Rev/MW Analyses. Historically, Azure growth has been constrained by available capacity rather than customer demand, creating a backlog of workloads waiting to be deployed. As incremental capacity comes online, Microsoft is no longer simply filling current demand but also working through previously deferred demand, creating the potential for Azure growth to both inflect higher and remain elevated for longer than many investors expect. Given management's confidence in guiding to both near-term acceleration and a stronger growth profile in C2H26, we could potentially see a path beyond mid-40% Azure growth becoming increasingly plausible, particularly as broader cloud migrations remain healthy and AI workloads continue to scale. As such, we raise our Azure revenue estimates in F2H27 / FY28 / FY29 accordingly (see Exhibit 22 for more details).

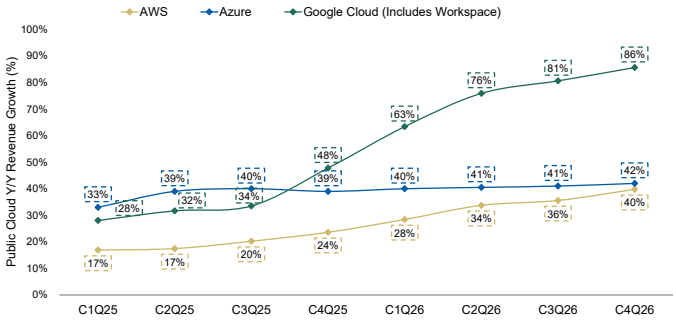
What Would Make Us Wrong: A lower ceiling on AI margins due to capital intensity and less attach of higher level services causes a more significant gross margin headwind, too difficult to offset with scale and operating leverage, resulting in lower operating margins.

Exhibit 4: Net Cloud Revenue Dollars Added QoQ Across the Three Hyperscalers



Source: Morgan Stanley Research, Company Data

Exhibit 5: YoY Growth Rates Across the Three Hyperscalers



Source: Morgan Stanley Research, Company Data

Copilot / M365 Insights:

Copilot Driven ARPU Turning Into A Three Headed Driver: Copilot Seats, E7 and Consumption. At the same time, we believe investors are increasingly underappreciating the potential contribution from Copilot. Over the past year, Microsoft's primary objective was largely proving product-market fit while demonstrating customers were willing to deploy AI assistants at enterprise scale, and improving Copilot's capabilities. The conversation is now shifting toward monetization, adoption velocity and the long-term revenue opportunity. The new paid Copilot seat disclosure provides transparency to measure commercial traction of M365 Copilot, while management commentary continues to point to accelerating deployment activity, increasing usage intensity and growing adoption across large enterprise customers. Importantly, Microsoft is now seeing customers move beyond initial pilots/deployments toward broader enterprise-wide rollouts, supporting our view that Copilot adoption is entering a new phase. Similarly, new product announcements like Copilot Cowork further improves the product's value proposition and supports broader enterprise deployments. ***Copilot-driven ARPU is increasingly becoming a three-headed growth driver: (1) direct Copilot seat adoption, (2) migration toward higher-value M365 E7 subscriptions, and (3) consumption-based monetization tied to agents, orchestration and workflow automation.*** *See Exhibit 10 - Exhibit 17 from our latest MS CIO Survey in the Copilot section below, which further point to increasing Copilot adoption.*

Improved Copilot Product, Underappreciated Hybrid Pricing Model. Historically, Microsoft monetized productivity software primarily through seat expansion and license upgrades. **With Copilot, Microsoft now has the opportunity to monetize both users and usage**, creating a potentially more expansive revenue model over time. We believe the recent introduction of the M365 E7 SKU further reinforces this evolution. In our view, E7 represents the next stage of Microsoft's AI monetization strategy, shifting focus from individual Copilot seats toward broader AI platform adoption and higher ARPU across the M365 installed base. As AI adoption broadens across organizations and customers increasingly leverage agents, reasoning capabilities and workflow automation, **Copilot and the broader E7 opportunity have the potential to become one of the most significant ARPU expansion opportunities in Microsoft's history.** Similar to the transition from E3

to E5, E7 has the potential to create a new multi-year upgrade cycle, with AI serving as the catalyst for higher-value M365 adoption rather than simply an incremental software feature.

What Would Make Us Wrong: Copilot seat growth decelerates and consumption pricing contribution doesn't materialize given competitive productivity solutions.

Margin Insights:

Expecting Gross Margin Headwinds, Gross Profit / Earnings Tailwinds. We are lowering our gross margin estimates for FY27 / FY28 / FY29 to 65.7% (-50bps vs. prior) / 64.4% (-120bps) / 63.4% (-220bps), respectively, given near-term pressures from accelerating AI infrastructure investments, increasing Azure AI and Copilot revenue mix, and elevated depreciation expenses. These dynamics will weigh on gross margins over the next several years, a natural by-product of Microsoft's AI investment cycle. With that said, we see a clear path for AI margin expansion. Similar to the early cloud transition, we believe today's margin headwinds largely reflect the timing mismatch between up-front infrastructure investments and revenue realization. As AI capacity utilization improves and Microsoft benefits from software optimization, first-party silicon, higher-value platform services, and a greater mix of consumption-based monetization, we see a path for Azure AI margins to improve meaningfully over time. As such, we remain constructive on Microsoft's long-term earnings power and AI ROIC, and believe investors are overly focused on near-term margin pressure relative to the long-term value creation opportunity (see Exhibit 18 - Exhibit 21 for additional details).

What Would Make Us Wrong: The primary risks to this gross margin framework are lower-than-expected utilization, faster GPU obsolescence, power and supply-chain cost inflation, pricing compression in AI infrastructure, and fixed-price AI products where usage grows faster than monetization.

Assessing Microsoft's Infrastructure Investments

Where is Microsoft's Data Center Capacity Actually Going? Following our recent report *Infrastructure Monetization – Still Early Days in the AI Cycle (27 May 2026)*, we took a deeper dive into Microsoft's data center capacity allocations. Microsoft is undertaking one of the largest infrastructure buildouts in the history of technology, with hyperscaler capacity expected to expand dramatically over the coming years. However, not all AI infrastructure serves the same purpose, with capacity supporting various use cases. Specifically, management has been clear that the company needs to *'balance Azure revenue growth with the growing needs across our first-party apps and AI solutions [i.e., Copilot], our own R&D efforts, and the end of life server replacements'*. In the below exhibit, we utilize our latest estimates for Microsoft's total installed capacity and attempt to break down a potential capacity mix across four primary buckets: **1) Core Azure**, which includes traditional cloud workloads such as compute, storage, databases, analytics and networking; **2) Azure AI**, which includes AI infrastructure services, model hosting, training, inference, AI development platforms and AI-native customer workloads; **3) First-Party Applications (Internal Apps)**, which includes Microsoft's growing portfolio of AI-enabled products such as M365 Copilot, GitHub Copilot, Dynamics, Security and other first-party AI solutions; and **4) Internal R&D**, which includes proprietary model development, frontier AI research, experimentation and future platform capabilities. We believe this framework is important because each workload category carries a distinctly different monetization profile. Core Azure remains the most mature and predictable infrastructure business, while Azure AI monetizes primarily through infrastructure and platform consumption. In contrast, Microsoft's 1P Applications represent the highest-value layer of the stack, where Microsoft can leverage its existing distribution, installed base (>450MM users) and software ecosystem to generate substantially higher revenue and profit per MW of compute deployed. While demand is clearly important, we believe investors should increasingly focus on where supply (or capacity) is ultimately being allocated. If an increasing share of incremental capacity is directed toward Azure AI and Microsoft's own AI-enabled applications, the company's infrastructure monetization profile should progressively migrate away from pure infrastructure economics (i.e., bare-metal Neoclouds) and toward higher-value platform/software economics, supporting stronger revenue per MW, gross profit per MW and total return profile over time (see Exhibit 6).

Assessing Microsoft's Revenue Per MW Framework. We estimate Azure AI workloads become the largest consumer of Microsoft's installed data center capacity over the next few years, growing from roughly 11% of capacity in FY24 to ~43% by FY28, as demand for AI training, inference and platform services continues to accelerate. We estimate first-party applications account for ~21% of installed capacity by FY28 (or >4GW of capacity), reflecting the compute requirements associated with Microsoft 365, Dynamics, Security, GitHub, etc., as well as an expanding portfolio of AI-enabled software offerings. While these workloads are less capital intense than Azure AI, they support a larger portion of Microsoft Cloud revenue, resulting in higher revenue per MW of deployed infrastructure. In our view, this highlights an important distinction in Microsoft's AI strategy – **although Azure and Azure AI drives much of the company's infrastructure investments, a substantial portion of the value ultimately accrues at the software and application layer.** This dynamic clearly impacted the stock reaction following the most recent two

earnings, as the Azure growth beat factor (vs. management guidance) has come down from roughly 2pts+ above the high-end of guide (historically) to ~1pt above or inline with the high-end due to the supply-constrained environment and incremental capacity coming online each quarter. For example, during the F2Q26 earnings call, CFO Amy Hood clarified *'if I had taken the GPUs that just came online in Q1 and Q2 in terms of GPUs and allocated them all to Azure, the KPI would have been over 40 [more inline with buyside expectations at the time vs. reported 38% YoY growth in cc]. And I think the most important thing to realize is that this is about investing in all the layers of the stack that benefit customers.'* **Bottom line,** unlike a traditional AI infrastructure provider that primarily monetizes compute capacity, Azure AI increasingly serves as an entry point into the broader Azure (and Microsoft) ecosystem, driving pull-through demand for databases, storage, developer tools, Azure AI Foundry, and other platform services. As AI workloads become more complex and enterprise deployments scale, we expect a growing portion of Microsoft's AI revenue to come from these higher-value platform capabilities rather than infrastructure consumption alone. Importantly, this pull-through should allow Microsoft to capture value across multiple layers of the tech stack, enabling Azure AI to monetize in a meaningfully more attractive way than a bare-metal AI infrastructure business, which should ultimately drive better revenue monetization and a more attractive margin profile over the long-run.

As shown in Exhibit 6 , we estimate Azure AI will become the largest consumer of Microsoft's installed compute capacity over time, reflecting the infrastructure required to support AI training, inference, and platform services. However, despite consuming a smaller share of capacity, we estimate Microsoft's first-party application portfolio continues to generate materially higher revenue per MW of deployed infrastructure. This reflects the ability to monetize AI through software subscriptions, workflow automation, productivity enhancements, and an evolving business model (i.e., Copilot combining SaaS + consumption) rather than purely through infrastructure consumption. As a result, we believe Microsoft's long-term return profile on AI will be determined not only by Azure AI growth, but also by the company's ability to successfully embed AI capabilities across Microsoft 365 (i.e., Copilot), Security, Dynamics, GitHub and other first-party offerings.

For our 1P application revenue estimates, we assume management is referring more broadly to Microsoft's portfolio of cloud-delivered offerings that consume infrastructure capacity alongside Azure-related workloads. This includes a swathe of products such as broader Microsoft 365, Dynamics, Security, GitHub, and more, as well as the growing portfolio of AI-enabled features embedded within these offerings (i.e., Copilot). Under this framework, first-party applications represent a significant and growing allocation of data center capacity, reflecting both the scale of Microsoft's existing core software franchise and the increasing compute requirements associated with delivering AI-enhanced experiences across the product portfolio.

Please reach out if you would like to see our interactive model for our MS Capacity Mix Analysis

Exhibit 6: Installed Data Center MS Capacity Mix Analysis – Implied Azure AI Rev/MW May Prove Too Low Longer-Term

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Microsoft Cloud Revenue ($mn)	$111,600	$137,700	$168,900	$214,061	$273,874	$356,770
Total GWs (Installed Capacity)	**4.50**	**5.00**	**7.50**	**10.25**	**14.50**	**20.25**
Compute Allocation (Capacity Mix %)						
Total Azure	**42%**	**48%**	**57%**	**63%**	**69%**	**74%**
Core Azure	*40%*	*37%*	*35%*	*33%*	*32%*	*31%*
Azure AI	*2%*	*11%*	*22%*	*30%*	*37%*	*43%*
1st-Party Applications	**55%**	**49%**	**39%**	**32%**	**26%**	**21%**
M365 Copilot	*0%*	*1%*	*2%*	*2%*	*3%*	*4%*
Internal R&D / Training	**3%**	**3%**	**4%**	**5%**	**5%**	**5%**
Capacity Per Bucket (GWs)						
Total Azure	**1.89**	**2.40**	**4.28**	**6.46**	**10.01**	**14.99**
Core Azure	*1.80*	*1.85*	*2.63*	*3.38*	*4.64*	*6.28*
Azure AI	*0.09*	*0.55*	*1.65*	*3.08*	*5.37*	*8.71*
1st-Party Applications	**2.48**	**2.45**	**2.93**	**3.28**	**3.77**	**4.25**
M365 Copilot	-	*0.04*	*0.12*	*0.23*	*0.44*	*0.74*
Internal R&D / Training	**0.14**	**0.15**	**0.30**	**0.51**	**0.73**	**1.01**
Revenue Assumptions ($mn)						
Total Azure	**$42,085**	**$56,140**	**$75,428**	**$105,605**	**$150,299**	**$214,928**
Core Azure	$41,961	$52,268	$63,331	$79,936	$100,004	$122,236
Azure AI	$124	$3,872	$12,097	$25,669	$50,295	$92,692
1st-Party Applications	**$61,015**	**$72,243**	**$83,505**	**$97,339**	**$111,122**	**$128,021**
M365 Copilot	-	*$794*	*$2,227*	*$4,431*	*$8,648*	*$14,886*
Revenue Per MW ($mn)						
Total Azure	**$22.27**	**$23.39**	**$17.64**	**$16.35**	**$15.02**	**$14.34**
Core Azure	*$23.31*	*$28.25*	*$24.13*	*$23.63*	*$21.55*	*$19.47*
Azure AI	*$1.38*	*$7.04*	*$7.33*	*$8.35*	*$9.37*	*$10.65*
1st-Party Applications	**$24.65**	**$29.49**	**$28.55**	**$29.68**	**$29.48**	**$30.10**
M365 Copilot	-	*$18.68*	*$19.16*	*$19.21*	*$19.88*	*$20.14*

Source: Morgan Stanley Research, Company Data *Assuming Datacenter Capacity for Microsoft Represents Installed Capacity || Microsoft Cloud Revenue = M365 Commercial Cloud + Dynamics 365 + Commercial LinkedIn + Azure and Other Cloud Services*

Azure AI Monetization and Margin Profile: Bare-Metal Neocloud, Core Azure, or Full-Stack AI Platform?

One of the most important questions surrounding Microsoft's AI infrastructure investments is not how much capacity the company ultimately deploys, but rather how effectively that capacity is monetized. While investors increasingly focus on Microsoft's multi-year AI infrastructure buildout, there remains significant debate around the ultimate revenue and profit profile of these assets. To frame the range of potential outcomes, we developed an MS Azure AI Monetization Model - a sensitivity analysis that evaluates revenue, gross profit and operating profit generation across three distinct monetization scenarios. Our analysis begins with Microsoft's estimated Azure AI capacity footprint, which we forecast grows from approximately 3GW in FY26 to ~9GW by FY28. We then evaluate the three scenarios reflecting different levels of monetization, allowing us to estimate potential revenue, gross profit and EBIT per MW of deployed capacity.

Scenario #1: Azure AI Monetizes Like a Bare-Metal Neocloud. In our first scenario, we assume Azure AI behaves similarly to a commodity AI infrastructure provider. Under this framework, customers primarily purchase GPU compute, model hosting and inference capacity, with limited platform differentiation and minimal pull-through into higher-value Microsoft services. Revenue generation remains largely tied to infrastructure consumption and pricing becomes increasingly competitive as AI compute capacity expands across the

ecosystem. Under this scenario, Azure AI remains primarily an infrastructure business with economics resembling those of a bare-metal Neocloud provider. While capacity utilization improves over time, revenue per unit of deployed infrastructure remains relatively constrained and margin expansion is limited. In this outcome, Azure AI functions largely as a compute utility rather than a differentiated cloud platform. **We think this level of monetization ($8-10MM/MW) is similar to the assumptions embedded in our estimates and what the market is pricing-in, creating a very strong case for upside revisions and positive surprise.**

Scenario #2: Azure AI Monetization Trends Similar to Core Public Cloud – AI IaaS First, then Higher Level AI PaaS. Our second scenario assumes Azure AI ultimately monetizes in a similar trajectory to Microsoft's traditional Azure business. In particular, AI workloads evolve beyond simple compute consumption and increasingly pull through broader cloud services (i.e., storage, databases, analytics, security, developer tools). This mirrors the historical cloud adoption model where infrastructure serves as the foundation for a broader platform ecosystem. Conceptually, Azure AI becomes the next generation of cloud infrastructure. Just as traditional Azure workloads generated demand for higher-value cloud services, AI workloads increasingly drive consumption across Microsoft's broader cloud stack. As a result, Azure AI economics gradually converge closer toward Azure economics over time, producing revenue scale, gross margins and operating margins comparable to those of Core Azure in prior periods, with Azure AI becoming more of a large-scale cloud platform business rather than just purely infrastructure. **Historically, Azure IaaS represented a minority of Azure revenue, with PaaS mix >60% for Azure, driving overall gross margins above 60% – in this scenario, trends are similar, with revenue / MW in the high-teens, though margins still lower given higher capital intensity of workloads.**

Scenario #3: Azure AI Becomes a Full-Stack AI Platform/Provider. In our third scenario, we assume Azure AI achieves revenue per MW consistent with the combination of Core Azure and 1st-Party Applications *(as a proxy for an AI platform)*, reflecting Microsoft's ability to monetize across the full AI stack with agentic tools and workflows. This case also assumes Microsoft benefits from further efficiency gains (similar to CEO Satya Nadella's recent comments: *'Our Maia 200 AI accelerator, which offers over 30% improved tokens per dollar, compared to the latest silicon in our fleet, is now live in our Iowa and Arizona datacenters'*), potential 1st party LLM creation, and increased Microsoft-specific IP within the AI infrastructure ecosystem (i.e., better scale with Maia/Cobalt, 1P silicon, etc.). Beyond that, Azure AI becomes the foundation for a broader AI ecosystem that drives incremental adoption across Microsoft's software portfolio. AI workloads increasingly pull through additional consumption across security, developer tools, data services, workflow automation and future agentic offerings. In particular, Azure AI generates materially higher revenue per MW of deployed capacity than traditional cloud infrastructure. Revenue growth benefits not only from infrastructure consumption but also from platform and application-layer monetization. Gross margins and operating margins expand meaningfully as Microsoft captures a larger portion of the value created by AI workloads, with Azure AI capturing value up the stack beyond cloud infrastructure, becoming a key high-value business within the broader Microsoft platform. **In this scenario, overall revenue per MW crosses above $20MM/MW, and while gross margins are lower than current Azure gross margins, they trend >50% with significant opex leverage, leading to a similar operating margin % in the out years.**

Bottom line, our analysis suggests that Microsoft's Azure AI return profile will likely be determined less by the amount of infrastructure deployed and more by the level of monetization achieved on top of that infrastructure. While all three scenarios assume a similar underlying capacity footprint, the revenue outcomes and margin profiles vary materially depend on whether Azure AI ultimately behaves as a commodity compute provider, a cloud platform business comparable to traditional Core Azure, or more like a full-stack AI platform. While we continue to view Scenario #1 as a floor for Azure AI monetization and believe the market remains largely anchored to this outcome currently, our latest revenue estimates increasingly reflect a blend of Scenario #1 and Scenario #2. **Specifically, we are increasing our Azure AI and overall Azure revenue estimates to better reflect improving platform monetization, as AI workloads increasingly pull through higher-value Azure services beyond infrastructure consumption alone.** While we conservatively do not yet assume Azure AI fully monetizes like a mature cloud platform, we believe the business is gradually moving beyond pure GPU infrastructure economics, supporting a higher long-term revenue opportunity than currently reflected in consensus.

Please reach out if you would like to see our interactive model for our MS Azure AI Monetization Analysis

Exhibit 7: MS Azure AI Monetization Analysis

KEY INPUTS (From Existing MS Model; all margins ex-rev share)	FY26E	FY27E	FY28E
Azure AI Capacity (GW)	3.08	5.37	8.71
Azure AI Infrastructure Revenue ($M)	$25,669	$50,295	$92,692
Scenario #1: Commodity Neocloud	**FY26E**	**FY27E**	**FY28E**
Total Azure AI Revenue	$25,669	$49,390	$86,203
Revenue per GW	$8,347.5	$9,205.9	$9,899.9
Revenue per MW	$8.35	$9.21	$9.90
Gross Margin % (ex-Revenue Share)	20.0%	22.5%	25.0%
Gross Profit	$5,134	$11,113	$21,551
Gross Profit per GW	$1,669.5	$2,071.3	$2,475.0
Gross Profit per MW	$1.67	$2.07	$2.47
Operating Margin % (ex-Revenue Share)	5.0%	9.5%	14.0%
Operating Profit (EBIT)	$1,283	$4,692	$12,068
EBIT per GW	$417.4	$874.6	$1,386.0
EBIT per MW	$0.42	$0.87	$1.39
Scenario #2: Core Azure-Style Infrastructure + Platform	**FY26E**	**FY27E**	**FY28E**
Total Azure AI Revenue	$25,669	$68,262	$117,941
Revenue per GW	$8,347.5	$12,723.6	$13,544.7
Revenue per MW	$8.35	$12.72	$13.54
Gross Margin % (ex-Revenue Share)	25.0%	27.5%	30.0%
Gross Profit	$6,417	$18,772	$35,382
Gross Profit per GW	$2,086.9	$3,499.0	$4,063.4
Gross Profit per MW	$2.09	$3.50	$4.06
Operating Margin % (ex-Revenue Share)	10.0%	14.5%	19.0%
Operating Profit (EBIT)	$2,567	$9,898	$22,409
EBIT per GW	$834.8	$1,844.9	$2,573.5
EBIT per MW	$0.83	$1.84	$2.57
Scenario #3: Full-Stack AI Platform/Provider	**FY26E**	**FY27E**	**FY28E**
Total Azure AI Revenue	$25,669	$119,881	$198,255
Revenue per GW	$8,347.5	$22,344.9	$22,768.3
Revenue per MW	$8.35	$22.34	$22.77
Gross Margin % (ex-Revenue Share)	30.0%	32.5%	35.0%
Gross Profit	$7,701	$38,961	$69,389
Gross Profit per GW	$2,504.3	$7,262.1	$7,968.9
Gross Profit per MW	$2.50	$7.26	$7.97
Operating Margin % (ex-Revenue Share)	15.0%	19.5%	24.0%
Operating Profit (EBIT)	$3,850	$23,377	$47,581
EBIT per GW	$1,252.1	$4,357.3	$5,464.4
EBIT per MW	$1.25	$4.36	$5.46

Scenario #1: Commodity Neocloud	Azure AI monetizes as a commodity compute business with limited differentiation and minimal platform pull-through.
Scenario #2: Core Azure-Style Infrastructure + Platform	Azure AI follows the Core Azure playbook where infrastructure drives incremental platform services monetization per MW of capacity.
Scenario #3: Full-Stack AI Platform/Provider	Azure AI achieves revenue per MW consistent with a combination of Core Azure + 1st-Party Applications, reflecting Microsoft's ability to monetize across the full AI stack with agentic tools and workflows. This case also assumes further efficiency gains, potential 1P LLM creation, and increased IP within the AI infrastructure ecosystem.

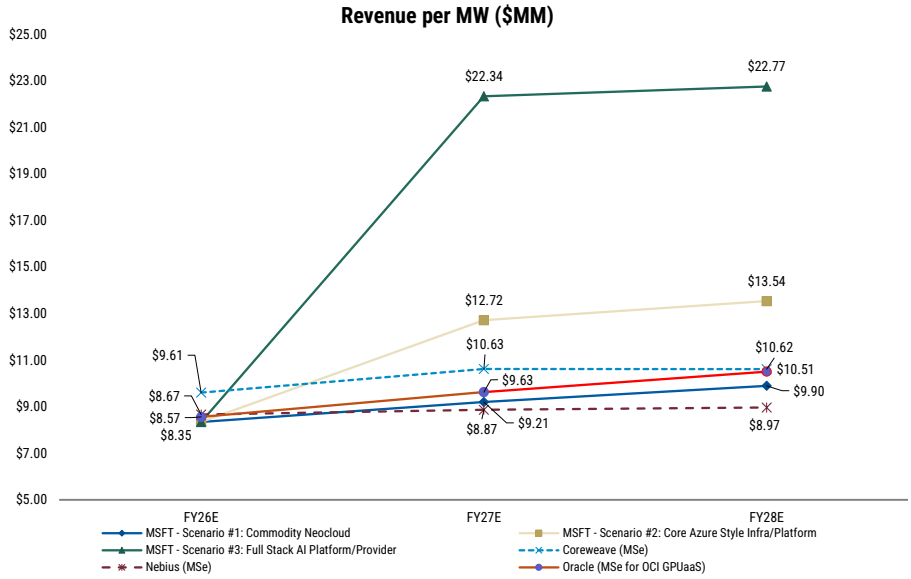
Source: Morgan Stanley Research, Company Data

Exhibit 8: Summary of FY28E Metrics Across Our Three Scenarios

FY28E Metrics	Scenario #1	Scenario #2	Scenario #3
Azure AI Capacity (GW)	8.71	8.71	8.71
Azure AI Revenue ($M)	$86,203	$117,941	$198,255
Downside/Upside to Current MSe (Azure AI)	*-7.0%*	*27.2%*	*113.9%*
Downside/Upside to Current MSe (Total Azure)	*-3.0%*	*11.7%*	*49.1%*
Azure AI Revenue/MW ($M)	$9.90	$13.54	$22.77
Gross Margin % (ex-Revenue Share)	25.0%	30.0%	35.0%
Gross Profit (ex-Revenue Share)	$21,551	$35,382	$69,389
Gross Profit/MW (ex-Revenue Share)	$2.47	$4.06	$7.97
Operating Margin % (ex-Revenue Share)	14.0%	19.0%	24.0%
EBIT (ex-Revenue Share)	$12,068	$22,409	$47,581
EBIT/MW (ex-Revenue Share)	$1.39	$2.57	$5.46

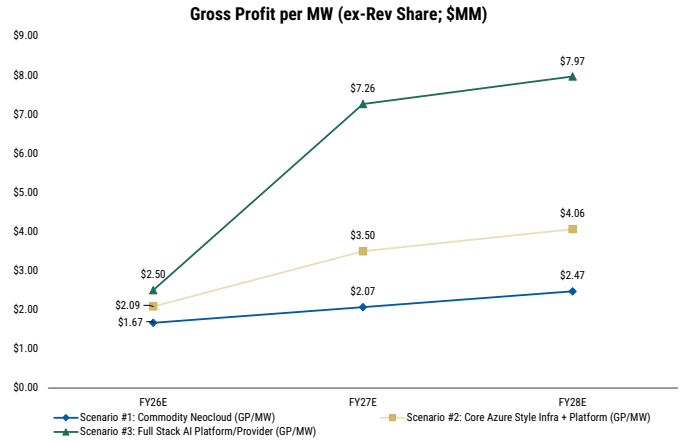
Source: Morgan Stanley Research, Company Data

Exhibit 9: Revenue Per MW



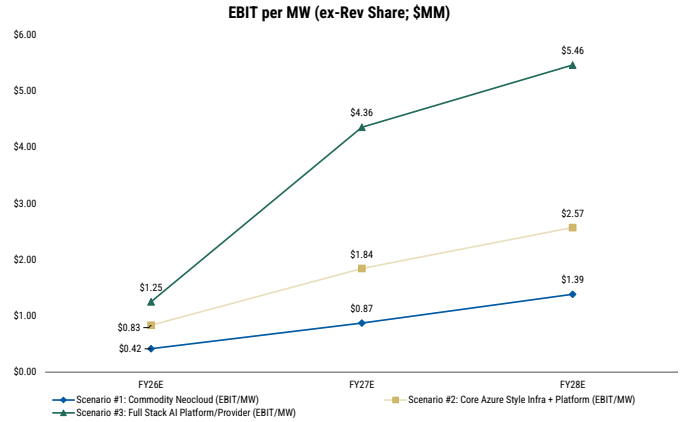
Source: Morgan Stanley Research, Company Data *Note CRWV & NBIS FYs are December End; ORCL YE is May; and MSFT YE is June* **Rev / MW calculations for CRWV & NBIS are based on revenue in the period / average MW in the period (average beginning and ending MW)**

Exhibit 10: Gross Profit Per MW (ex-Revenue Share)



Source: Morgan Stanley Research, Company Data

Exhibit 11: EBIT Per MW (ex-Revenue Share)



Source: Morgan Stanley Research, Company Data

Copilot Adoption Continues to Accelerate as the Business Model Evolves Beyond Seats

Microsoft 365 Copilot is increasingly emerging as one of the most important application-layer monetization opportunities within Microsoft's AI strategy. Over the past year, the primary debate surrounding Copilot centered on product-market fit and whether enterprises would be willing to deploy AI assistants at scale. Today, however, adoption continues to broaden, usage intensity is increasing, and customers are moving from pilot deployments toward larger enterprise-wide rollouts. As shown below in our MS CIO Survey (see Exhibit 13 - Exhibit 15), 88% of CIOs in our latest survey now expect to deploy M365 Copilot within the next 12 months, up from 80% in 4Q25 and 72% only a year ago, while expected deployment penetration continues to increase on both a near-term and longer-term basis.

Reflecting these trends, as well as the latest management guidance during FQ3, we are increasing our M365 Copilot estimates and now model Copilot revenue of roughly $4.4bn in FY26, growing to ~$22.5bn by FY29. Similarly, we now forecast ~26mm Copilot seats in FY26, growing to ~115mm by FY29, reflecting materially stronger adoption assumptions than our prior estimates (see Exhibit 12). Importantly, as mentioned above, Microsoft has historically monetized its core software business primarily through seat expansion and license upgrades. However, the monetization framework has been evolving recently toward a hybrid model that combines users, platform upgrades and consumption. The introduction of M365 E7 represents an important step in this transition. Rather than positioning AI as a standalone add-on, E7 bundles together E5, Copilot, and Agent365 (includes AI-enabled workflow capabilities) into a higher-value suite, creating a new path for enterprise customers to standardize on Microsoft's AI platform. Similar to the transition from E3 to E5, we believe E7 has the potential to drive a new multi-year upgrade cycle, supporting both higher ARPU and broader Copilot adoption. Our latest MS CIO Survey already points to continued migration up the Microsoft stack, with 47% of organizations currently standardized on E5 and 7% on E7, while expectations for next year are expected to reach 50% and 21%, respectively (see Exhibit 16 & Exhibit 17).

We also believe Microsoft's recent launch of Copilot Cowork represents an

underappreciated evolution in the product strategy. Historically, Copilot functioned primarily as an AI assistant operating alongside users within M365 applications; however, Cowork expands this model by enabling teams to collaborate directly with AI-powered agents that dive deeper into a user's workflows, coordinate tasks and operate across shared business processes. In our view, this further reinforces Microsoft's broader vision of moving beyond chat-based assistants toward agentic systems that increasingly add value. Potentially more importantly, Cowork highlights how Microsoft's monetization opportunity may ultimately extend beyond individual Copilot seats and into higher-value consumption-based workloads, agent orchestration and workflow automation. As organizations move from experimenting with AI assistants to deploying AI agents embedded across everyday workflows, the revenue opportunity becomes increasingly tied to usage and business process automation rather than seat count alone.

Bottom line, we believe the Copilot story is increasingly transitioning from a seat adoption story into focusing more on broader AI platform monetization. Between accelerating enterprise adoption, the E7 SKU as a new upgrade vehicle, growing usage intensity, and new agentic capabilities (i.e., Cowork), we see multiple avenues for ARPU expansion across the M365 installed base. Importantly, we believe **Copilot-driven ARPU is increasingly becoming a three-headed growth driver: (1) direct Copilot seat adoption, (2) migration toward higher-value M365 E7 subscriptions, and (3) consumption-based monetization tied to agents, orchestration and workflow automation.** While also remaining focused on seat count today, we believe the latter two vectors could become increasingly important contributors to growth over time, materially expanding Microsoft's AI monetization opportunity beyond the traditional per-user software model. As a result, we continue to believe Copilot represents one of the most significant long-term revenue and margin opportunities within the broader Microsoft ecosystem, which remains underappreciated today.

Exhibit 12: Summary of Model Changes - M365 Copilot Build + Productivity and Business Revenue

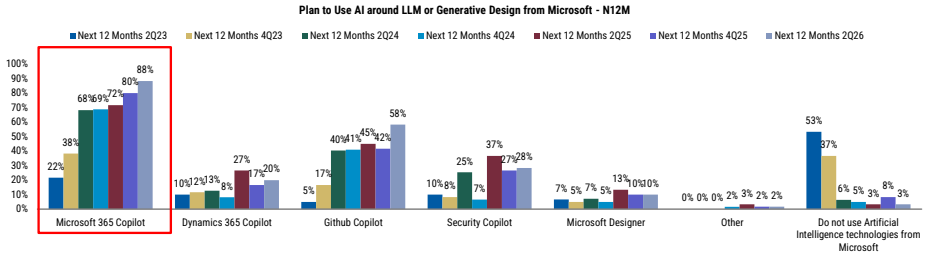
Summary of Model Changes	FY26E	FY27E	FY28E	FY29E
M365 Copilot Revenue ($MM)	**$4,430.5**	**$8,647.7**	**$14,886.0**	**$22,475.5**
YoY %	*98.9%*	*95.2%*	*72.1%*	*51.0%*
Old M365 Copilot Revenue ($MM)	**$3,961.0**	**$6,389.2**	**$9,166.0**	**$12,145.6**
% change	*11.9%*	*35.3%*	*62.4%*	*85.1%*
M365 Copilot Seats (MM)	**26.0**	**49.0**	**80.2**	**114.9**
YoY %	*144.8%*	*69.6%*	*35.2%*	*11.7%*
Old M365 Copilot Seats (MM)	**21.9**	**33.5**	**46.0**	**59.4**
% change	*18.6%*	*46.3%*	*74.1%*	*93.5%*
Productivity and Business Processes ($B)	**$139.4**	**$155.8**	**$175.5**	**$197.2**
YoY %	*15.4%*	*11.8%*	*12.6%*	*12.4%*
Old Productivity and Business Processes ($B)	**$139.4**	**$155.3**	**$173.0**	**$191.7**
% change	*0.0%*	*0.3%*	*1.4%*	*2.9%*

Source: Morgan Stanley Research, Company Data

Latest MS CIO Survey Results

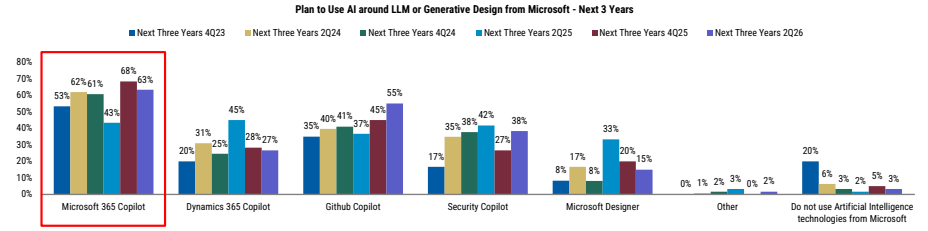
Which of the following products incorporating Generative Artificial Intelligence technology around Large Language Models (e.g. GPT 4) or Generative Design (e.g. Dall-e) do you plan to use from Microsoft in your organization in the next 12 months?

Exhibit 13: 88% of CIOs Expect to Use Microsoft 365 Copilot Over the Next 12 Months, up from 72% and 80% in Our Last Two CIO Surveys...



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

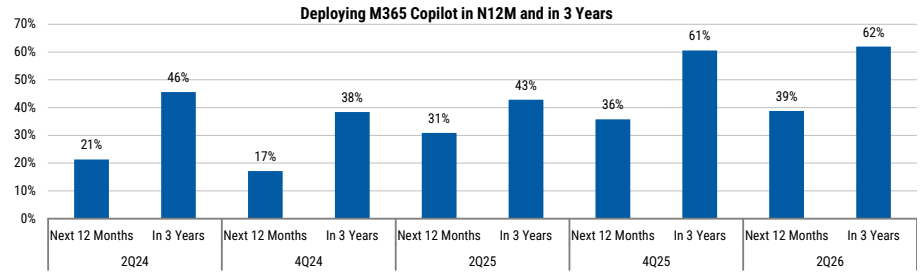
Exhibit 14: ...While M365 Copilot Also Continues to be the Most Sought-After Generative AI Product From Microsoft Over the Next 3 Years



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

If you are planning to use Microsoft 365 Copilot within your organization, what % of your Office user base do you expect to deploy M365 Copilot to over the next 12 months and in 3 years?

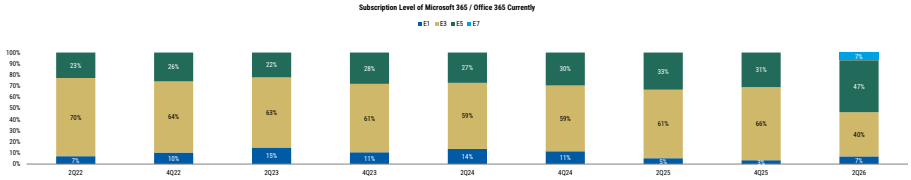
Exhibit 15: Microsoft 365 Copilot Penetration Expectations Increased From our 4Q25 Survey on Both a Near-Term and Long-Term View



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

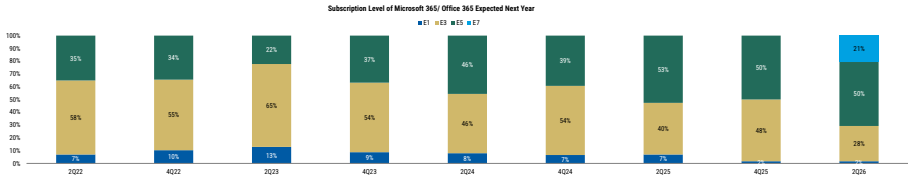
If you are currently using Microsoft 365 / Office 365, what subscription level (E1, E3, E5 or E7) are the majority of your employees using today? Do you have any plans to upgrade in the next year?

Exhibit 16: The Shift to Higher Subscription Levels Continues with 47% / 7% of CIOs Using E5 / E7 Licenses Currently...



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

Exhibit 17: ...With Expectations for E5 / E7 License Subscriptions Reaching 50% / 21% in the Next Year, Further Supporting Better Copilot Adoption Over N12M



Source: AlphaWise, Morgan Stanley Research. n=60 (US and EU data)

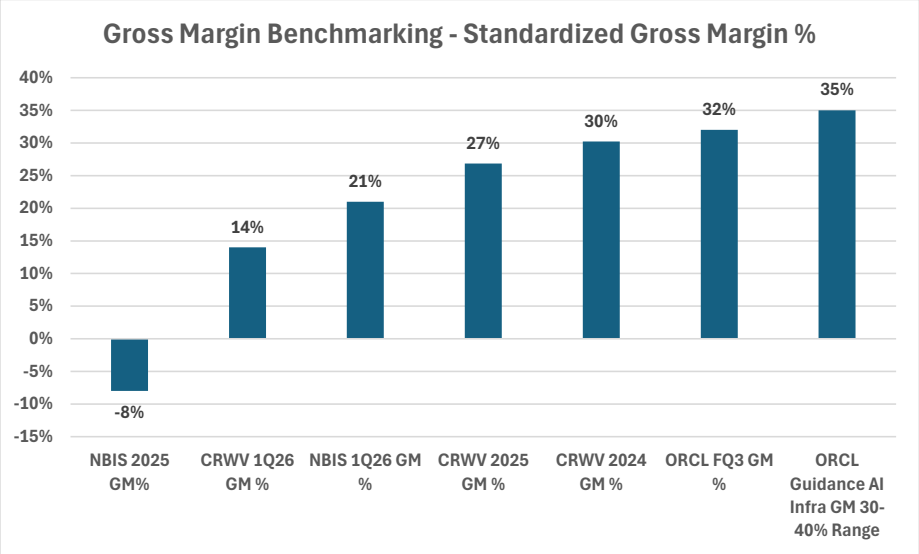
Gross Margin Headwinds, Gross Profit Tailwinds

Investment Cycles Yield. For Microsoft, the pace and scale of this AI infrastructure build-out are more significant than the original cloud infrastructure build / transition, but the over-arching theme on the investment cycle and margin trajectory remains the same: *After capex accelerates, data center footprint is built, capacity and revenue increase and over-time, efficiencies drive meaningful margin expansion.* Importantly, management has communicated AI gross margins are already higher than they were at this point in the prior cloud transition (unclear if measured by scale or time). Below, we **1)** benchmark gross margins vs. similar AI infrastructure businesses, **2)** dig into the history of Microsoft's Cloud gross margin improvements, and **3)** lay out the main drivers of AI related gross margin expansion.

1. Benchmarking AI Infrastructure Margins. Hyperscaler segment operating margins are imperfect AI infrastructure benchmarks because they include broad mixes of compute, storage, database, software, support, and application-layer services. However, they are still useful as scaled-platform reference points. Neoclouds are more useful for identifying the lower-bound economics of leased GPU capacity, while Oracle is the closest public AI infrastructure benchmark given its disclosed AI delivered-capacity gross margin. Reported neocloud gross margins (CRWV and NBIS) appear high on the surface, but they put the majority of depreciation in opex. Standardized gross margins are lower if depreciation is treated as a cost of revenue (appropriate for comparing to Microsoft). Oracle is useful as an AI infrastructure benchmark because it has disclosed delivered AI capacity gross margin (+32% in 3FQ26). Microsoft primarily owns and operates the infrastructure, but it also monetizes through Azure services, Azure AI Foundry, Copilot, Microsoft 365, GitHub, Dynamics, security, database, and broader software attach. These facts and mix should allow Microsoft to earn materially better margins over time than a pure leased-GPU provider, provided utilization and pricing discipline remain strong, yet it is useful to benchmark against the neoclouds and Oracle to find a likely floor for realistic Azure AI gross margins.

Near-Term Gross Margin % Headwind Reminder: Near-term gross margin pressure is partly mechanical. When new AI capacity comes online, lease, power, labor, and depreciation costs begin before the asset reaches mature revenue run-rate. There is also a lag between powered-shell readiness, server provisioning, testing, customer handoff, and billable consumption. Given the scale of new capacity relative to Microsoft's installed AI footprint, rapid growth can understate normalized gross margin. This is why lower observed margins during a build cycle should not be extrapolated linearly into steady-state economics. **The benchmarking work supports a path to Azure AI gross margins above 40% over time in our model, particularly as utilization, pricing, first-party silicon, and software efficiency improve.**

Exhibit 18: AI Infrastructure Gross Margins - Rapid Build Understates Medium-Term Potential

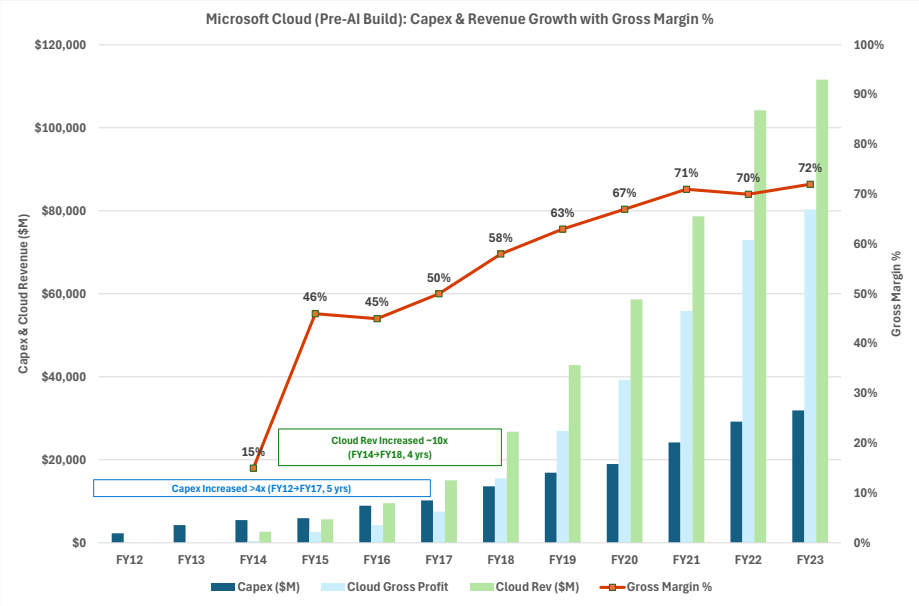


Source: Company data, Morgan Stanley Research. Note: Nebius has other smaller business lines besides pure AI Cloud.

2. Historical Analysis – Digging into Microsoft Cloud Gross Margins and the historical analogue of cloud margin improvement at Microsoft during the transition to the cloud. This historical analogue is important because the current AI build is depressing gross margin before the full revenue and utilization benefits accrue. While the AI build is greater in scale and pace, and ultimately the capital intensity of AI workloads is greater, we expect the same trends to occur with the AI revenue and gross profit ramp as revenue scales and gross margins improve from 1) business model changes, 2) operational efficiency, 3) software efficiency, 4) hardware/silicon efficiency, and 5) partnership IP (all detailed below).

The AI Numbers Are Bigger But We Expect Trends to be Similar. We mark the start of the broader Microsoft cloud build out in FY13, where capex jumped from a steady $2-$2.5 billion prior by 85% to $4.2 billion, increasing by more than 4x from FY12 baseline to FY17. It took four years until annual Microsoft cloud revenue surpassed total annual capex (FY16) and it took six years (FY18) until annual cloud gross profit surpassed annual capex. Fast forward to FY23 (scaled cloud but pre-AI build), annual cloud revenue of $112B was 3.5x capex of $32B and FY23 cloud gross profit of $80B was 2.5x capex. Said differently, capital intensity decreased from >200% in FY14 to ~50% by FY18 and <30% by FY22 for Microsoft's cloud business, clearly demonstrating strong yield on investment and ROIC for Microsoft Cloud.

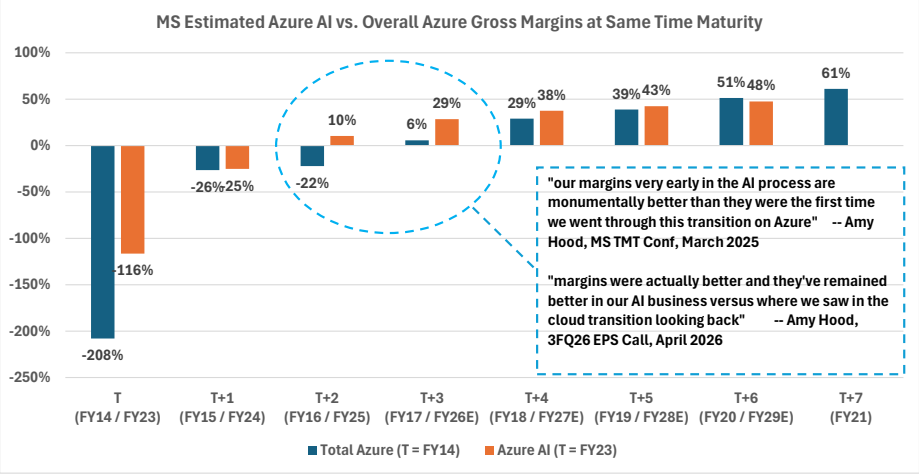
Exhibit 19: Historical Case Study - Microsoft Cloud



Source: Company data, Morgan Stanley Research

If we take a more narrow approach and look at MS estimated Azure margins compared to Azure AI margins, our estimates align to management commentary suggesting Azure AI margins are in a better place than at a similar point in the transition to Azure cloud. If these trends continue, Azure AI gross profit dollars would materially surpass our model.

Exhibit 20: Azure AI Margins Tracking Ahead of Azure Margins at Similar Time



Source: Company data, Morgan Stanley Research

3. Drivers of Microsoft's Azure AI Gross Margin Expansion. Microsoft's CFO Amy Hood has consistently made the case that the AI margin trajectory is structurally superior to what Microsoft experienced during the server-to-cloud transition. In the FY2025 Q3 earnings call (April 2025), Amy stated explicitly: '*Our margins on the AI side of the business are better than they were at this point by far than when we went through the same transition and the server to cloud transition.*' This notion was reiterated on the

3FQ26 earnings call in April 2026. From our Microsoft Campus visit (see Microsoft: Redmond Reflections & More (17 Dec 2025)), we know Microsoft has internal teams dedicated to driving efficiencies across data centers and Azure gross margins – including Azure AI. Each team aligns to a set of internal KPIs reflecting the area of margin efficiency in focus. These KPIs likely correspond to the various categories of margin expansion:

- **Business Model – More Consumption Based to Align Usage to Value Capture.** While this theme is relevant for Microsoft 365 Commercial Cloud, historically a seat-based model now with consumption elements to align usage with price paid, this theme is also applicable to GitHub Copilot which sits in Azure AI. Microsoft's AI monetization is not limited to fixed-price seats. The company is increasingly aligning AI pricing with usage, consumption, and customer value. Amy Hood highlighted usage-based pricing as one reason AI margins are better than early cloud margins, and Microsoft has already changed GitHub Copilot pricing to better align price with usage and value. Satya Nadella has also described seat-based AI pricing as an entitlement to a certain level of consumption, with overages and larger commitments shifting toward pure consumption economics. This matters for gross margin because fixed-price AI products can face margin pressure when user engagement rises faster than price. A pricing structure with metered usage, overage capture, customer commitments, and discounting tied to volume should allow Microsoft to better match revenue to inference cost. The model becomes especially powerful as AI usage expands from experimentation to production workloads, because Microsoft can monetize both the seat and the incremental compute intensity.

- **Operational – Faster Build to Revenue Conversion.** Microsoft is attacking the time gap between capex and revenue. In Q3 FY26, Satya Nadella said Microsoft had reduced dock-to-live times by nearly 20%, brought its Fairwater data center online six weeks early, and added more than one gigawatt of capacity while remaining on track to double its data center footprint in two years. The gross margin implication is straightforward: *shorter construction, installation, and commissioning cycles reduce the period in which assets are depreciating or consuming cash before generating revenue. Faster build-to-revenue conversion also reduces the risk of stranded capacity and improves the denominator over which fixed data center costs are spread.*
- **Software – More Tokens Per GPU & Lower Cost Per Token.** In Q3 FY26, Microsoft said inference throughput improved 40% and highlighted first-party model work that lowered cost of goods sold, including model-specific GPU efficiency gains. If Microsoft can raise token throughput per GPU, improve scheduling and utilization, use smaller or more specialized models where appropriate, and optimize the serving stack, then each dollar of GPU capex can support more billable consumption. Satya's Q3 FY26 framing is that the hyperscale advantage comes from system-wide software optimization, not just owning data centers.
- **Hardware & Silicon – 1st Party & 3rd Party Improvements.** Microsoft is increasingly using first-party silicon and system-level optimization to improve cost/performance. In Q3 FY26, the company pointed to custom networking, security, and virtualization silicon through Azure Boost; first-party CPUs and accelerators;

Maia 200 with more than 30% better tokens per dollar versus the latest silicon in its fleet; and Cobalt server CPUs deployed in nearly half of Microsoft's data center regions. The margin benefit is twofold: **First,** first-party silicon can reduce the profit pool captured by third-party hardware vendors over time. **Second,** Microsoft can optimize hardware, software, networking, storage, and model serving together. That full-stack control is a major difference between Microsoft and many AI infrastructure providers that are largely reselling merchant GPU capacity.

What Could Go Wrong? The primary risks to this gross margin framework are lower-than-expected utilization, faster GPU obsolescence, power and supply-chain cost inflation, pricing compression in AI infrastructure, and fixed-price AI products where usage grows faster than monetization.

Please reach out if you would like to see our interactive model for our MS Overall Gross Margin and Cloud Gross Margin Analyses

Exhibit 21: Microsoft Cloud Gross Margin Build

Base Case - Microsoft Cloud Gross Margin Calculation	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e	FY29e
Microsoft Cloud Revenue								
Microsoft 365 Commercial Cloud	$48,233	$56,343	$66,456	$76,614	$89,256	$102,312	$118,531	$136,979
Office 365 Commercial	$35,300	$39,810	$46,129	$52,701	$59,652	$67,639	$77,441	$88,535
EMS & Power BI per-user	$11,862	$14,922	$17,921	$20,364	$23,422	$26,548	$29,946	$33,675
Windows Commercial Cloud	$1,071	$1,611	$2,406	$3,549	$6,181	$8,125	$11,144	$14,769
Dynamics 365	$3,764	$4,671	$5,787	$6,891	$8,083	$8,810	$9,490	$10,032
LinkedIn Commercial	$7,998	$8,501	$9,317	$9,967	$11,118	$12,452	$13,822	$15,204
Azure and Other Cloud Services	$44,238	$42,085	$56,140	$75,428	$105,605	$150,299	$214,928	$305,942
Azure AI		$124	$3,872	$12,097	$25,669	$50,295	$92,692	$159,094
Core Azure		$41,961	$52,268	$63,331	$79,936	$100,004	$122,236	$146,848
Total Microsoft Cloud Revenue	**$104,233**	**$111,600**	**$137,700**	**$168,900**	**$214,061**	**$273,874**	**$356,770**	**$468,157**
Microsoft Cloud Gross Profit								
Microsoft 365 Commercial Cloud Gross Profit	$37,219	$43,816	$53,004	$60,993	$71,131	$81,567	$94,535	$109,289
Office 365 Commercial Gross Profit	$26,845	$30,475	$36,234	$41,265	$46,708	$52,961	$60,636	$69,323
EMS & Power BI per-user Gross Profit	$9,490	$12,013	$14,785	$16,800	$19,324	$21,902	$24,705	$27,782
Windows Commercial Cloud Gross Profit	$883	$1,329	$1,985	$2,928	$5,100	$6,703	$9,194	$12,185
Dynamics 365 Gross Profit	$3,105	$3,854	$4,774	$5,685	$6,668	$7,268	$7,829	$8,277
LinkedIn Commercial Gross Profit	$6,369	$6,811	$7,512	$8,080	$9,065	$10,204	$11,377	$12,559
Azure and Other Cloud Services Gross Profit	$26,270	$25,871	$32,477	$41,783	$58,475	$83,243	$118,701	$171,579
Azure AI		($145)	($975)	$1,252	$7,316	$18,861	$39,394	$75,570
Core Azure		$26,016	$33,452	$40,532	$51,159	$64,383	$79,307	$96,009
Total Microsft Cloud Gross Profit	**$72,963**	**$80,352**	**$97,767**	**$116,541**	**$145,339**	**$182,283**	**$232,442**	**$301,704**
Microsoft Cloud Gross Margin %	**70.0%**	**72.0%**	**71.0%**	**69.0%**	**67.9%**	**66.6%**	**65.2%**	**64.4%**
Microsoft 365 Commercial Cloud Gross Margin %	**77.2%**	**77.8%**	**79.8%**	**79.6%**	**79.7%**	**79.7%**	**79.8%**	**79.8%**
Office 365 Commercial	**76.1%**	**76.6%**	**78.6%**	**78.3%**	**78.3%**	**78.3%**	**78.3%**	**78.3%**
EMS & Power BI	**80.0%**	**80.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**
Windows Commercial Cloud	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**
Consolidated Office 365 Commercial Gross Margin %	**76.1%**	**76.9%**	**78.4%**	**77.9%**	**78.2%**	**77.8%**	**77.6%**	**77.7%**
Dynamics 365 Gross Margin %	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**	**82.5%**
LinkedIn Commercial Gross Margin %	**79.6%**	**80.1%**	**80.6%**	**81.1%**	**81.5%**	**82.0%**	**82.3%**	**82.6%**
Implied Azure and Other Cloud Services Gross Margin %	**59.4%**	**61.5%**	**57.8%**	**55.4%**	**55.4%**	**55.4%**	**55.2%**	**56.1%**
Azure AI		**-116.4%**	**-25.2%**	**10.3%**	**28.5%**	**37.5%**	**42.5%**	**47.5%**
Core Azure		**62.0%**	**64.0%**	**64.0%**	**64.0%**	**64.4%**	**64.9%**	**65.4%**

Source: Company data, Morgan Stanley Research

Risk Reward – Microsoft (MSFT.O)

Durability of Earnings Growth & AI Leadership Not Priced-In

PRICE TARGET $600.00

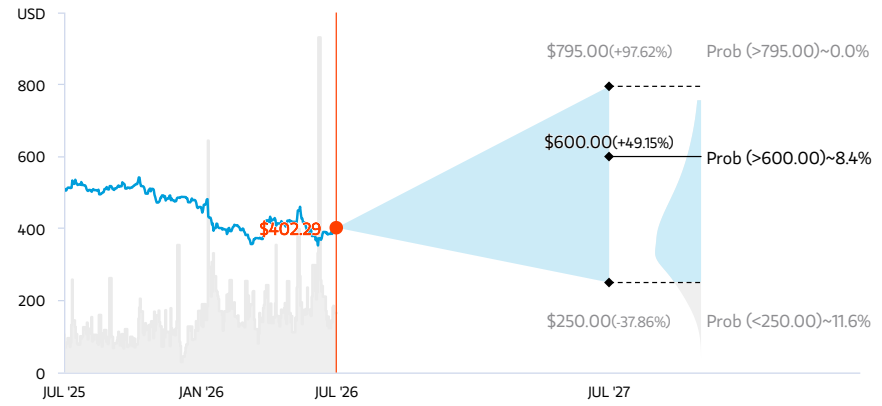
25x Base Case FY28e EPS of $23.86. 25x PE is a slight premium to large cap software peers, 1.2x PEG is a discount to MSFT historical PEG and large-cap software peers.

Consensus Price Target Distribution $400.00 — $562.76 (MS PT) — $870.00

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 20 Jul 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- Greater than expected capacity-driven Azure growth inflection and Copilot monetization supports high-teens rev growth.
- Meaningful gross margin % headwinds are offset by operating leverage, yielding 20%+ EBIT growth and >20% EPS growth
- Shares trading at <16x FY28 GAAP EPS too cheap. Overweight

Consensus Rating Distribution

94%	Overweight
6%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era:	*Positive*
Pricing Power:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $795.00

~29x Bull Case FY28e EPS: $27.39

Azure, O365 & Robust Contribution from AI Drive Top-Line Growth. Acceleration in Azure growth, adoption of higher priced M365 Commercial SKUs and continued seat growth, and robust adoption of Azure AI services and Microsoft AI Copilots across business lines drive low-20s revenue CAGR in the coming years. Operating margins expand to ~48.9% by FY28 and FY28e EPS is $27.39. ~29x PE represents a premium to large cap software peers, but below MSFT historical avg PEG at ~1.2x given >20% EPS CAGR.

BASE CASE $600.00

~25x Base Case FY28e EPS of $23.86

Azure, M365 & Ramping Contribution from AI Drive Top-Line Growth. Durability of Azure growth, adoption of higher priced M365 Commercial SKUs and continued seat growth, and ramping adoption of Azure AI services & Microsoft AI Copilots across business lines drive high-teens rev CAGR ahead. Operating margins expand beyond ~46.7% by FY28 and FY28e EPS is $23.86. 25x PE is a premium to large cap software peers, given strong positioning and execution. 1.2x PEG is a discount to MSFT historical PEG.

BEAR CASE $250.00

~12x Bear Case FY28e EPS: $21.64

Macro, Scale & Limited AI Adoption Drives Top-Line Growth Deceleration. Azure growth continues deceleration given scale, while M365 reaches penetration and adoption of Azure AI services & Microsoft AI Copilots across business lines remains limited. This drives mid-teens rev CAGR. Operating margins only expand to ~44.9% by FY28 from gross margin pressure and FY28 EPS is $21.64. ~12x PE is a discount to large cap software peers and a discount on a PEG.

Risk Reward – Microsoft (MSFT.O)

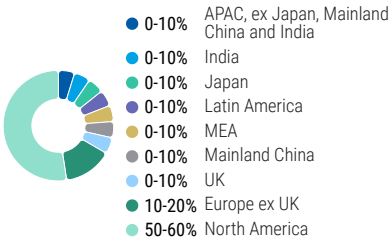
KEY EARNINGS INPUTS

Drivers	Jun 2025	Jun 2026e	Jun 2027e	Jun 2028e
Azure and Other Cloud Services Growth (%)	34.4	40.0	42.3	43.0
M365 Commercial Cloud Growth (%)	15.3	16.5	14.6	15.9
Gross Margins (%)	68.8	67.7	65.7	64.4
Operating Margins (%)	45.6	46.6	46.5	46.7
GAAP EPS Growth (%)	15.6	27.2	13.1	21.6

INVESTMENT DRIVERS

- Sustainability of commercial cloud growth, Copilot growth
- Improving Azure growth, cloud momentum, improving cloud margins

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Cloud adoption accelerates, with Azure as convincing winner
- AI leadership results in substantial revenue contribution over-time
- Operational efficiencies leading to greater than anticipated economies of scale and margin expansion

RISKS TO DOWNSIDE

- Weak macro impacting IT spending
- On-premises cannibalization by Cloud
- Increased investments hurt margin expansion
- AI adoption proves limited

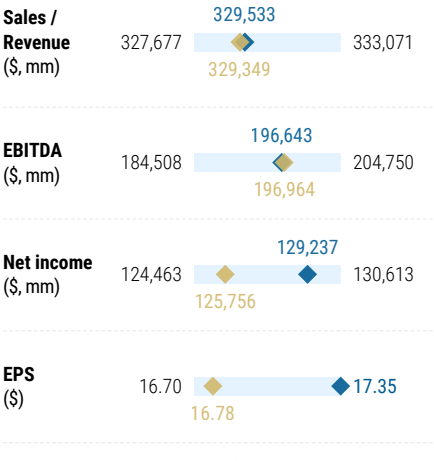
OWNERSHIP POSITIONING

Inst. Owners, % Active	52.5%
HF Sector Long/Short Ratio	2.1x
HF Sector Net Exposure	29.5%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2026e



Source: Refinitiv, Morgan Stanley Research

Model Changes and Financials

Exhibit 22: Model Changes

	FQ1:26	FQ2:26	FQ3:26e	FQ4:26e	FY26e	FY27e	FY28e	FY29e
Productivity and Business Processes	**$33.02B**	**$34.12B**	**$35.01B**	**$37.23B**	**$139.38B**	**$155.82B**	**$175.47B**	**$197.17B**
YoY Change	17%	16%	17%	12%	15%	12%	13%	12%
Old Productivity and Business Processes	$33.02B	$34.12B	$35.01B	$37.23B	$139.38B	$155.34B	$173.02B	$191.70B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	1.4%	2.9%
Intelligent Cloud	**$30.90B**	**$32.91B**	**$34.68B**	**$38.28B**	**$136.77B**	**$180.47B**	**$244.17B**	**$334.32B**
YoY Change	28%	29%	30%	28%	29%	32%	35%	37%
Old Intelligent Cloud	$30.90B	$32.91B	$34.68B	$38.28B	$136.77B	$179.60B	$238.58B	$319.56B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	2.3%	4.6%
More Personal Computing	**$13.76B**	**$14.25B**	**$13.19B**	**$12.19B**	**$53.39B**	**$53.02B**	**$54.43B**	**$56.02B**
YoY Change	4%	-3%	-1%	-9%	-2%	-1%	3%	3%
Old More Personal Computing	$13.76B	$14.25B	$13.19B	$12.19B	$53.39B	$53.26B	$54.84B	$56.60B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	-0.7%	-1.0%
Total Revenue	**$77.67B**	**$81.27B**	**$82.89B**	**$87.70B**	**$329.53B**	**$389.31B**	**$474.07B**	**$587.51B**
YoY Change	18.4%	16.7%	18.3%	14.7%	17.0%	18.1%	21.8%	23.9%
Old Total Revenue	$77.67B	$81.27B	$82.89B	$87.70B	$329.53B	$388.20B	$466.44B	$567.87B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	1.6%	3.5%
Total Gross Margin	**69.0%**	**68.0%**	**67.6%**	**66.3%**	**67.7%**	**65.7%**	**64.4%**	**63.4%**
Old Gross Margin	69.0%	68.0%	67.6%	66.3%	67.7%	66.2%	65.7%	65.6%
New vs. Old	0.0%	0.0%	0.0%	0.0%	0.0%	-0.5%	-1.2%	-2.2%
Operating Expense	**$15.67B**	**$17.02B**	**$17.66B**	**$19.37B**	**$69.72B**	**$74.60B**	**$84.11B**	**$95.16B**
YoY Change	4.9%	5.2%	9.4%	7.0%	6.7%	7.0%	12.7%	13.1%
Old Operating Expense	$15.67B	$17.02B	$17.66B	$19.37B	$69.72B	$75.26B	$83.79B	$94.22B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	-0.9%	0.4%	1.0%
Operating Income	**$37.96B**	**$38.28B**	**$38.40B**	**$38.79B**	**$153.43B**	**$181.19B**	**$221.33B**	**$277.45B**
Operating Margin	**48.9%**	**47.1%**	**46.3%**	**44.2%**	**46.6%**	**46.5%**	**46.7%**	**47.2%**
Old Operating Income	$37.96B	$38.28B	$38.40B	$38.80B	$153.44B	$181.90B	$222.49B	$278.40B
Old Operating Margin	48.9%	47.1%	46.3%	44.2%	46.6%	46.9%	47.7%	49.0%
% Change in Op. Income	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-0.5%	-0.3%
EPS	**$3.72**	**$5.16**	**$4.27**	**$4.21**	**$17.35**	**$19.62**	**$23.86**	**$29.83**
Old EPS	$3.72	$5.16	$4.27	$4.21	$17.35	$19.71	$24.03	$30.04
% Change	0.0%	0.0%	0.0%	-0.1%	0.0%	-0.4%	-0.7%	-0.7%
Total Operating Cash Flow	**$45.1B**	**$35.8B**	**$46.7B**	**$45.0B**	**$172.5B**	**$207.7B**	**$248.4B**	**$298.5B**
YoY Change	32%	60%	26%	6%	27%	20%	20%	20%
Old OCF	$45.06B	$35.76B	$46.68B	$45.00B	$172.5B	$206.5B	$247.8B	$298.5B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.2%	0.0%
Total FCF	**$25.7B**	**$5.9B**	**$15.8B**	**$15.1B**	**$62.5B**	**$14.6B**	**$6.3B**	**$7.9B**
YoY Change	33%	-9%	-22%	-41%	-13%	-77%	-56%	25%
Old FCF	$25.66B	$5.88B	$15.80B	$15.11B	$62.5B	$13.4B	$5.8B	$7.9B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%	9.1%	0.0%
Total Capex	**$34.9B**	**$37.5B**	**$31.9B**	**$41.1B**	**$145.4B**	**$250.0B**	**$312.6B**	**$375.1B**
YoY Change	75%	66%	49%	70%	65%	72%	25%	20%
Old Capex	$34.90B	$37.50B	$31.90B	$41.13B	$145.4B	$250.0B	$312.6B	$375.1B
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unearned Revenue	**$61.53B**	**$54.04B**	**$53.68B**	**$68.74B**	**$68.74B**	**$70.27B**	**$71.84B**	**$73.45B**
YoY Change					2%	2%	2%	2%

Source: Company data, Morgan Stanley Research estimates

Exhibit 23: Income Statement

	FY 2022	FY 2023	FY 2024	FY 2025	Sep-25	Dec-25	Mar-26	Jun-26E	FY 2026E	Sep-26E	Dec-26E	Mar-27E	Jun-27E	FY 2027E	FY 2028E	FY 2029E
Net Revenue	**$198,270**	**$211,915**	**$245,122**	**$281,724**	**$77,673**	**$81,273**	**$82,886**	**$87,701**	**$329,533**	**$90,549**	**$95,503**	**$98,159**	**$105,099**	**$389,310**	**$474,072**	**$587,510**
% YoY Growth	**18.0%**	**6.9%**	**15.7%**	**14.9%**	**18.4%**	**16.7%**	**18.3%**	**14.7%**	**17.0%**	**16.6%**	**17.5%**	**18.4%**	**19.8%**	**18.1%**	**21.8%**	**23.9%**
% QoQ Growth					1.6%	4.6%	2.0%	5.8%		3.2%	5.5%	2.8%	7.1%			
Net Revenue c.c	$200,277	$219,264	$244,345	$280,595	$76,734	$80,077	$80,576									
% YoY Growth c.c		9.5%	11.4%	14.8%	17.0%	15.0%	15.0%									
Cost of Goods Sold	$62,650	$65,863	$74,114	$87,831	$24,043	$25,978	$26,828	$29,542	$106,391	$30,579	$32,555	$33,772	$36,611	$133,518	$168,632	$214,905
% YoY Growth	20%	5%	13%	19%	20%	19%	22%	23%	21%	27%	25%	26%	24%	25%	26%	27%
Gross Profit	**$135,620**	**$146,052**	**$171,008**	**$193,893**	**$53,630**	**$55,295**	**$56,058**	**$58,159**	**$223,142**	**$59,970**	**$62,948**	**$64,387**	**$68,488**	**$255,792**	**$305,440**	**$372,606**
Gross Margin	**68.4%**	**68.9%**	**69.8%**	**68.8%**	**69.0%**	**68.0%**	**67.6%**	**66.3%**	**67.7%**	**66.2%**	**65.9%**	**65.6%**	**65.2%**	**65.7%**	**64.4%**	**63.4%**
Gross Profit Growth	*17.1%*	*7.7%*	*17.1%*	*13.4%*	*17.9%*	*15.6%*	*16.4%*	*10.9%*	*15.1%*	*11.8%*	*13.8%*	*14.9%*	*17.8%*	*14.6%*	*19.4%*	*22.0%*
Research & Development	$24,512	$27,195	$29,510	$32,488	$8,146	$8,504	$8,915	$9,779	$35,344	$8,138	$8,560	$9,085	$10,142	$35,926	$39,017	$41,605
% of Revenue	12.4%	12.8%	12.0%	11.5%	10.5%	10.5%	10.8%	11.2%	10.7%	9.0%	9.0%	9.3%	9.7%	9.2%	8.2%	7.1%
% YoY Growth	18.3%	10.9%	8.5%	10.1%	8.0%	7.4%	8.7%	10.8%	8.8%	-0.1%	0.7%	1.9%	3.7%	1.6%	8.6%	6.6%
Sales and Marketing	$21,825	$22,759	$24,456	$25,654	$5,717	$6,584	$6,814	$7,481	$26,596	$6,393	$7,450	$7,775	$8,650	$30,268	$35,448	$41,886
% of Revenue	11.0%	10.7%	10.0%	9.1%	7.4%	8.1%	8.2%	8.5%	8.1%	7.1%	7.8%	7.9%	8.2%	7.8%	7.5%	7.1%
% YoY Growth	8.5%	4.3%	7.5%	4.9%	0.0%	2.2%	9.7%	2.7%	3.7%	11.8%	13.2%	14.1%	15.6%	13.8%	17.1%	18.2%
General & Administrative	$5,900	$7,575	$7,609	$7,223	$1,806	$1,932	$1,931	$2,108	$7,777	$1,924	$2,079	$2,090	$2,316	$8,410	$9,649	$11,665
% of Revenue	3.0%	3.6%	3.1%	2.6%	2.3%	2.4%	2.3%	2.4%	2.4%	2.1%	2.2%	2.1%	2.2%	2.2%	2.0%	2.0%
% YoY Growth	15.5%	28.4%	0.4%	-5.1%	7.9%	6.0%	11.2%	5.9%	7.7%	6.5%	7.6%	8.3%	9.9%	8.1%	14.7%	20.9%
One-Time Charges	$0	($1,171)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Operating Expenses	$52,237	$56,358	$61,575	$65,365	$15,669	$17,020	$17,660	$19,368	$69,717	$16,455	$18,090	$18,951	$21,108	$74,604	$84,114	$95,156
% of Revenue	26.3%	26.6%	25.1%	23.2%	20.2%	20.9%	21.3%	22.1%	21.2%	18.2%	18.9%	19.3%	20.1%	19.2%	17.7%	16.2%
% YoY Growth	13.7%	7.9%	9.3%	6.2%	4.9%	5.2%	9.4%	7.0%	6.7%	5.0%	6.3%	7.3%	9.0%	7.0%	12.7%	13.1%
Operating Income	**$83,383**	**$89,694**	**$109,433**	**$128,528**	**$37,961**	**$38,275**	**$38,398**	**$38,792**	**$153,426**	**$43,514**	**$44,858**	**$45,436**	**$47,380**	**$181,188**	**$221,326**	**$277,450**
Operating Margin	**42.1%**	**42.3%**	**44.6%**	**45.6%**	**48.9%**	**47.1%**	**46.3%**	**44.2%**	**46.6%**	**48.1%**	**47.0%**	**46.3%**	**45.1%**	**46.5%**	**46.7%**	**47.2%**
% YoY Growth	19.3%	7.6%	22.0%	17.4%	24.3%	20.9%	20.0%	13.0%	19.4%	14.6%	17.2%	18.3%	22.1%	18.1%	22.2%	25.4%
EBITDA	**$97,843**	**$103,555**	**$131,720**	**$162,681**	**$51,022**	**$47,473**	**$48,565**	**$49,583**	**$196,643**	**$55,114**	**$57,578**	**$59,314**	**$62,399**	**$234,405**	**$295,554**	**$380,854**
% YoY Growth	19.9%	5.8%	27.2%	23.5%	34.5%	23.4%	19.2%	8.9%	20.9%	8.0%	21.3%	22.1%	25.8%	19.2%	26.1%	28.9%
EBITDA Margin	49.3%	48.9%	53.7%	57.7%	65.7%	58.4%	58.6%	56.5%	59.7%	60.9%	60.3%	60.4%	59.4%	60.2%	62.3%	64.8%
Net Interest(Income and Other Income)	$333	$788	($1,646)	($4,901)	($3,660)	$9,971	$942	($100)	$7,153	($319)	($320)	($375)	($447)	($1,460)	($2,876)	($4,425)
Pre-Tax Profit (incl. Stock Compensation)	$83,716	$90,482	$107,787	$123,627	$34,301	$48,246	$39,340	$38,691	$160,578	$43,196	$44,538	$45,061	$46,934	$179,728	$218,450	$273,025
Provision / (Benefit) for Income Taxes	$14,269	$17,175	$19,651	$21,795	$6,554	$9,788	$7,562	$7,437	$31,341	$8,303	$8,561	$8,662	$9,022	$34,548	$41,991	$52,481
Tax Rate	17.0%	19.0%	18.2%	17.6%	19.1%	20.3%	19.2%	19.2%	19.5%	19.2%	19.2%	19.2%	19.2%	19.2%	19.2%	19.2%
Operating Net Income (incl. Stock Comp)	**$69,447**	**$73,307**	**$88,136**	**$101,832**	**$27,747**	**$38,458**	**$31,778**	**$31,254**	**$129,237**	**$34,892**	**$35,976**	**$36,400**	**$37,912**	**$145,180**	**$176,459**	**$220,544**
% YoY Growth	13.3%	5.6%	20.2%	15.5%	12.5%	59.5%	23.1%	14.8%	26.9%	25.8%	-6.5%	14.5%	21.3%	12.3%	21.5%	25.0%
Operating EPS	**$9.21**	**$9.81**	**$11.80**	**$13.64**	**$3.72**	**$5.16**	**$4.27**	**$4.21**	**$17.35**	**$4.71**	**$4.86**	**$4.92**	**$5.13**	**$19.62**	**$23.86**	**$29.83**
% YoY Growth	**14.4%**	**6.5%**	**20.3%**	**15.6%**	**12.5%**	**59.7%**	**23.3%**	**15.3%**	**27.2%**	**26.6%**	**-5.7%**	**15.3%**	**21.8%**	**13.1%**	**21.6%**	**25.0%**

Source: Company data, Morgan Stanley Research estimates

Exhibit 24: Revenue Drivers

Drivers Detail															
Productivity and Business Processes															
M365 Commercial Products and Cloud Services	$59,878	$66,949	$76,969	$87,767	$23,966	$24,524	$25,593	$27,463	$101,546	$27,125	$27,641	$28,832	$31,254	$114,852	$131,281	$149,945
YoY	*15.9%*	*11.8%*	*15.0%*	*14.0%*	*17.2%*	*16.1%*	*17.0%*	*12.9%*	*15.7%*	*13.2%*	*12.7%*	*12.7%*	*13.8%*	*13.1%*	*14.3%*	*14.2%*
QoQ					*-1.4%*	*2.3%*	*4.4%*	*7.3%*		*-1.2%*	*1.9%*	*4.3%*	*8.4%*			
M365 Commercial Cloud	$48,233	$56,343	$66,456	$76,614	$20,936	$21,722	$22,691	$23,907	$89,256	$24,023	$24,768	$25,879	$27,642	$102,312	$118,531	$136,979
YoY	*22.1%*	*16.8%*	*17.9%*	*15.3%*	*15.8%*	*16.6%*	*19.3%*	*14.5%*	*16.5%*	*14.7%*	*14.0%*	*14.0%*	*15.6%*	*14.6%*	*15.9%*	*15.6%*
QoQ					*0.3%*	*3.8%*	*4.5%*	*5.4%*		*0.5%*	*3.1%*	*4.5%*	*6.8%*			
Office 365 Commercial	*$35,300*	*$39,810*	*$46,129*	*$52,701*	*$14,333*	*$14,422*	*$15,298*	*$15,599*	*$59,652*	*$16,245*	*$16,319*	*$17,368*	*$17,707*	*$67,639*	*$77,441*	*$88,535*
YoY	*18.2%*	*12.8%*	*15.9%*	*14.2%*	*13.1%*	*12.6%*	*14.5%*	*12.4%*	*13.2%*	*13.3%*	*13.2%*	*13.5%*	*13.5%*	*13.4%*	*14.5%*	*14.3%*
QoQ					*3.3%*	*0.6%*	*6.1%*	*2.0%*		*4.1%*	*0.5%*	*6.4%*	*1.9%*			
EMS & Power BI per-user	*$11,862*	*$14,922*	*$17,921*	*$20,364*	*$5,422*	*$5,829*	*$5,898*	*$6,273*	*$23,422*	*$6,167*	*$6,611*	*$6,679*	*$7,091*	*$26,548*	*$29,946*	*$33,675*
YoY	*33.3%*	*25.8%*	*20.1%*	*13.6%*	*14.9%*	*16.0%*	*15.5%*	*13.8%*	*15.0%*	*13.7%*	*13.4%*	*13.2%*	*13.1%*	*13.3%*	*12.8%*	*12.5%*
QoQ					*-1.6%*	*7.5%*	*1.2%*	*6.3%*		*-1.7%*	*7.2%*	*1.0%*	*6.2%*			
Windows Commercial cloud	*$1,071*	*$1,611*	*$2,406*	*$3,549*	*$1,181*	*$1,471*	*$1,495*	*$2,035*	*$6,181*	*$1,611*	*$1,839*	*$1,831*	*$2,844*	*$8,125*	*$11,144*	*$14,769*
YoY	*49.6%*	*50.4%*	*49.4%*	*47.5%*	*70.7%*	*81.4%*	*167.7%*	*36.7%*	*74.2%*	*36.4%*	*25.0%*	*22.5%*	*39.8%*	*31.4%*	*37.2%*	*32.5%*
QoQ					*-20.7%*	*24.6%*	*1.6%*	*36.1%*		*-20.8%*	*14.2%*	*-0.4%*	*55.3%*			
M365 Commercial Products	$11,646	$10,814	$10,559	$11,153	$3,030	$2,802	$2,902	$3,556	$12,290	$3,102	$2,872	$2,953	$3,613	$12,540	$12,750	$12,965
YoY	*-4.5%*	*-7.1%*	*-2.4%*	*5.6%*	*27.9%*	*13.0%*	*1.4%*	*3.3%*	*10.2%*	*2.4%*	*2.5%*	*1.8%*	*1.6%*	*2.0%*	*1.7%*	*1.7%*
QoQ					*-12.0%*	*-7.5%*	*3.6%*	*22.6%*		*-12.8%*	*-7.4%*	*2.8%*	*22.3%*			
Office Commercial products (non-O365)	*$3,578*	*$2,834*	*$2,386*	*$2,593*	*$570*	*$720*	*$735*	*$689*	*$2,714*	*$593*	*$748*	*$765*	*$716*	*$2,822*	*$2,935*	*$3,052*
YoY	*-22.4%*	*-20.8%*	*-15.8%*	*8.7%*	*6.5%*	*5.0%*	*3.0%*	*4.5%*	*4.6%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*
QoQ					*-13.5%*	*26.2%*	*2.2%*	*-6.3%*		*-13.9%*	*26.2%*	*2.2%*	*-6.3%*			
Windows Commercial products	*$8,068*	*$7,980*	*$8,173*	*$8,559*	*$2,460*	*$2,082*	*$2,167*	*$2,868*	*$9,576*	*$2,509*	*$2,124*	*$2,188*	*$2,896*	*$9,718*	*$9,815*	*$9,913*
YoY	*6.4%*	*-1.1%*	*2.4%*	*4.7%*	*34.2%*	*16.0%*	*0.9%*	*3.0%*	*11.9%*	*2.0%*	*2.0%*	*1.0%*	*1.0%*	*-4.0%*	*-5.0%*	*-6.0%*
QoQ																
M365 Consumer Products and Cloud Services	$5,984	$6,417	$6,648	$7,404	$2,204	$2,305	$2,297	$2,334	$9,140	$2,324	$2,384	$2,367	$2,447	$9,522	$9,951	$10,368
YoY	*11.1%*	*7.2%*	*3.6%*	*11.4%*	*27.6%*	*26.6%*	*26.1%*	*14.7%*	*23.4%*	*5.5%*	*3.4%*	*3.0%*	*4.8%*	*4.2%*	*4.5%*	*4.2%*
QoQ					*8.3%*	*4.6%*	*-0.3%*	*1.6%*		*-0.4%*	*2.6%*	*-0.7%*	*3.4%*			
M365 Consumer Cloud	$4,259	$4,931	$5,444	$5,966	$1,763	$1,878	$2,008	$1,947	$7,596	$1,905	$2,002	$2,092	$2,080	$8,078	$8,579	$9,065
YoY	*16.6%*	*15.8%*	*10.4%*	*9.6%*	*25.7%*	*29.1%*	*32.7%*	*22.0%*	*27.3%*	*8.1%*	*6.6%*	*4.2%*	*6.8%*	*6.4%*	*6.2%*	*5.7%*
QoQ					*10.5%*	*6.5%*	*6.9%*	*-3.0%*		*-2.2%*	*5.1%*	*4.5%*	*-0.6%*			
Office Consumer products (non-O365)	$1,725	$1,486	$1,204	$1,438	$441	$427	$289	$387	$1,544	$419	$383	$275	$367	$1,444	$1,372	$1,303
YoY	*-0.4%*	*-13.9%*	*-19.0%*	*19.4%*	*36.1%*	*16.6%*	*-6.1%*	*-12.0%*	*7.4%*	*-5.0%*	*-10.4%*	*-5.0%*	*-5.0%*	*-6.5%*	*-5.0%*	*-5.0%*
QoQ					*0.5%*	*-3.3%*	*-32.3%*	*33.6%*		*8.5%*	*-8.8%*	*-28.2%*	*33.6%*			
Dynamics Total	$4,686	$5,796	$6,831	$7,827	$2,136	$2,204	$2,292	$2,349	$8,981	$2,300	$2,379	$2,487	$2,543	$9,709	$10,388	$10,930
YoY	*24.8%*	*23.7%*	*17.9%*	*14.6%*	*15.5%*	*15.2%*	*18.8%*	*10.0%*	*14.7%*	*7.7%*	*7.9%*	*8.5%*	*8.2%*	*8.1%*	*7.0%*	*5.2%*
QoQ					*0.0%*	*3.2%*	*4.0%*	*2.5%*		*-2.1%*	*3.4%*	*4.5%*	*2.2%*			
Dynamics 365	$3,764	$4,671	$5,787	$6,891	$1,823	$1,944	$2,166	$2,150	$8,083	$1,987	$2,119	$2,361	$2,344	$8,810	$9,490	$10,032
YoY	*38.8%*	*24.1%*	*23.9%*	*19.1%*	*18.0%*	*19.0%*	*22.0%*	*11.0%*	*17.3%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*9.0%*	*7.7%*	*5.7%*
QoQ					*-5.9%*	*6.6%*	*11.4%*	*-0.7%*		*-7.6%*	*6.6%*	*11.4%*	*-0.7%*			
Dynamics On-Premise	$922	$1,125	$1,044	$936	$313	$260	$126	$199	$898	$313	$260	$126	$199	$898	$898	$898
YoY	*-11.5%*	*22.0%*	*-7.2%*	*-10.3%*	*2.9%*	*-6.9%*	*-17.9%*	*0.0%*	*-4.1%*	*2.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
QoQ					*57.5%*	*-16.9%*	*-51.6%*	*57.6%*		*57.5%*	*-16.9%*	*-51.6%*	*57.6%*			
LinkedIn	$13,816	$14,989	$16,372	$17,812	$4,714	$5,082	$4,832	$5,084	$19,712	$5,215	$5,599	$5,325	$5,594	$21,734	$23,846	$25,930
YoY	*34.3%*	*8.5%*	*9.2%*	*8.8%*	*9.8%*	*10.8%*	*12.1%*	*10.0%*	*10.7%*	*10.6%*	*10.2%*	*10.2%*	*10.0%*	*10.3%*	*9.7%*	*8.7%*
QoQ					*2.0%*	*7.8%*	*-4.9%*	*5.2%*		*2.6%*	*7.4%*	*-4.9%*	*5.1%*			
Other / Adjustment	$0	$0	$0	$0	$0	$1	($1)	$0	$0	($0)	$0	$0	$0	($0)	($0)	$0
Productivity and Business Processes		**$94,151**	**$106,820**	**$120,810**	**$33,020**	**$34,116**	**$35,013**	**$37,230**	**$139,379**	**$36,964**	**$38,003**	**$39,011**	**$41,838**	**$155,817**	**$175,466**	**$197,173**
YoY			*13.5%*	*13.1%*	*16.6%*	*15.9%*	*16.9%*	*12.4%*	*15.4%*	*11.9%*	*11.4%*	*11.4%*	*12.4%*	*11.8%*	*12.6%*	*12.4%*
QoQ					*-0.3%*	*3.3%*	*2.6%*	*6.3%*		*-0.7%*	*2.8%*	*2.7%*	*7.2%*			
3 Yr Avg. QoQ					*-1.2%*	*2.9%*	*4.1%*	*7.6%*		*-0.9%*	*3.3%*	*3.1%*	*7.5%*			
Intelligent Cloud																
Server Products and Cloud Services		$65,007	$79,828	$98,435	$28,872	$30,865	$32,592	$36,302	$128,631	$38,120	$41,106	$43,909	$49,039	$172,174	$235,709	$325,684
YoY			*22.8%*	*23.3%*	*30.3%*	*30.6%*	*31.6%*	*30.2%*	*30.7%*	*32.0%*	*33.2%*	*34.7%*	*35.1%*	*33.9%*	*36.9%*	*38.2%*
QoQ					*3.6%*	*6.9%*	*5.6%*	*11.4%*		*5.0%*	*7.8%*	*6.8%*	*11.7%*			
Azure and other Cloud Services		$42,085	$56,140	$75,428	$23,242	$25,073	$26,973	$30,317	$105,605	$32,771	$35,603	$38,571	$43,354	$150,299	$214,928	$305,942
YoY			*33.4%*	*34.4%*	*40.5%*	*38.6%*	*40.4%*	*40.5%*	*40.0%*	*41.0%*	*42.0%*	*43.0%*	*43.0%*	*42.3%*	*43.0%*	*42.3%*
QoQ					*7.7%*	*7.9%*	*7.6%*	*12.4%*		*8.1%*	*8.6%*	*8.3%*	*12.4%*			
QoQ $ Change			*$14,055*	*$19,288*	*$1,664*	*$1,831*	*$1,900*	*$3,345*	*$30,177*	*$2,454*	*$2,832*	*$2,968*	*$4,783*	*$44,694*	*$64,629*	*$91,014*
YoY Change in QoQ $					*54.9%*	*18.7%*	*69.4%*	*41.3%*		*47.5%*	*54.7%*	*56.2%*	*43.0%*			
Azure AI		*$124*	*$3,872*	*$12,097*	*$4,941*	*$5,817*	*$6,825*	*$8,086*	*$25,669*	*$9,682*	*$11,406*	*$13,455*	*$15,752*	*$50,295*	*$92,692*	*$159,094*
YoY				*212.4%*	*151.8%*	*112.2%*	*102.7%*	*100.8%*	*112.2%*	*96.0%*	*96.1%*	*97.1%*	*94.8%*	*95.9%*	*84.3%*	*71.6%*
Azure AI Contribution					***18pts***	***17pts***	***18pts***	***19pts***		***20pts***	***22pts***	***25pts***	***25pts***			
Core Azure		*$41,961*	*$52,268*	*$63,331*	*$18,301*	*$19,256*	*$20,148*	*$22,231*	*$79,936*	*$23,089*	*$24,197*	*$25,116*	*$27,602*	*$100,004*	*$122,236*	*$146,848*
YoY			*24.6%*	*21.2%*	*25.5%*	*25.5%*	*27.2%*	*26.7%*	*26.2%*	*26.2%*	*25.7%*	*24.7%*	*24.2%*	*25.1%*	*22.2%*	*20.1%*
KPI YoY Growthin Constant Currency					*24.5%*	*24.5%*	*26.2%*	*26.2%*		*26.2%*	*25.7%*	*24.7%*	*24.2%*			
QoQ					*4.3%*	*5.2%*	*4.6%*	*10.3%*		*3.9%*	*4.8%*	*3.8%*	*9.9%*			
QoQ $ Change			*$10,308*	*$11,063*	*$749*	*$955*	*$892*	*$2,083*	*$16,605*	*$858*	*$1,109*	*$919*	*$2,486*	*$20,068*	*$22,232*	*$24,611*
YoY Change in Core Azure QoQ $					*47.5%*	*25.2%*	*79.9%*	*22.0%*	*50.1%*	*14.4%*	*16.1%*	*3.1%*	*19.3%*	*20.9%*	*10.8%*	*10.7%*
Server Products	$23,188	$22,922	$23,688	$23,007	$5,630	$5,792	$5,619	$5,985	$23,026	$5,349	$5,503	$5,338	$5,686	$21,875	$20,781	$19,742
YoY	*4.5%*	*-1.1%*	*3.3%*	*-2.9%*	*0.4%*	*4.3%*	*1.3%*	*-5.0%*	*0.1%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
QoQ					*-10.6%*	*2.9%*	*-3.0%*	*6.5%*		*-10.6%*	*2.9%*	*-3.0%*	*6.5%*			
Enterprise Services	$7,407	$7,722	$7,594	$7,779	$2,021	$2,050	$2,091	$1,983	$8,144	$2,061	$2,091	$2,133	$2,023	$8,307	$8,473	$8,643
YoY	*6.7%*	*4.3%*	*-1.7%*	*2.4%*	*5.0%*	*8.0%*	*7.0%*	*-1.0%*	*4.7%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
QoQ					*0.9%*	*1.4%*	*2.0%*	*-5.2%*		*3.9%*	*1.4%*	*2.0%*	*-5.2%*			
Other (MSFT Partners Network, etc)	$470	$215	$42	$51	$4	($8)	($2)	($3)	($8)	$4	($8)	($2)	($3)	($8)	($8)	($8)
YoY	*-14.3%*	*-54.2%*	*-80.5%*	*20.3%*	*-66.1%*	*-248.1%*	*-105.1%*	*0.0%*	*-116.5%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Intelligent Cloud		**$72,944**	**$87,464**	**$106,265**	**$30,897**	**$32,907**	**$34,681**	**$38,282**	**$136,767**	**$40,185**	**$43,189**	**$46,040**	**$51,059**	**$180,473**	**$244,174**	**$334,318**
YoY			*19.9%*	*21.5%*	*28.2%*	*28.8%*	*29.6%*	*28.1%*	*28.7%*	*30.1%*	*31.2%*	*32.8%*	*33.4%*	*32.0%*	*35.3%*	*36.9%*
QoQ					*3.4%*	*6.5%*	*5.4%*	*10.4%*		*5.0%*	*7.5%*	*6.6%*	*10.9%*			
3 Yr Avg. QoQ					*1.0%*	*6.6%*	*3.1%*	*9.4%*		*1.8%*	*6.7%*	*4.3%*	*9.8%*			
More Personal Computing																
Windows and Devices	$22,379	$17,147	$17,026	$17,314	$4,551	$4,479	$4,041	$3,573	$16,644	$4,289	$4,401	$3,904	$3,619	$16,213	$16,504	$16,889
YoY	*8.3%*	*-23.4%*	*-0.7%*	*1.7%*	*5.1%*	*-0.7%*	*-2.5%*	*-17.5%*	*-3.9%*	*-5.8%*	*-1.7%*	*-3.4%*	*1.3%*	*-2.6%*	*1.8%*	*2.3%*
QoQ					*5.1%*	*-1.6%*	*-9.8%*	*-11.6%*		*20.0%*	*2.6%*	*-11.3%*	*-7.3%*			
Windows OEM and Devices	$21,470	$16,530	$16,513	$16,966	$4,545	$4,475	$3,920	$3,375	$16,315	$4,163	$4,255	$3,696	$3,420	$15,534	$15,821	$16,202
YoY	*8.6%*	*-23.0%*	*-0.1%*	*2.7%*	*5.4%*	*-0.6%*	*-2.0%*	*-18.7%*	*-3.8%*	*-8.4%*	*-4.9%*	*-5.7%*	*1.3%*	*-4.8%*	*1.8%*	*2.4%*
QoQ					*9.5%*	*-1.5%*	*-12.4%*	*-13.9%*		*23.3%*	*2.2%*	*-13.1%*	*-7.5%*			
Windows Patent Licensing, IP, IoT, Embedded & Other	$909	$617	$669	$348	$6	$4	$121	$197	$329	$126	$146	$208	$199	$679	$683	$687
YoY	*1.6%*	*-32.1%*	*8.4%*	*-48.0%*	*-62.8%*	*-61.6%*	*-15.2%*	*10.9%*	*-5.5%*	*1880.1%*	*3692.3%*	*72.2%*	*0.6%*	*106.6%*	*0.6%*	*0.6%*
QoQ					*-96.4%*	*-39.3%*	*3037.8%*	*63.1%*		*-36.2%*	*16.2%*	*42.4%*	*-4.7%*			
Search Advertising & Online Services	$10,569	$12,125	$12,306	$13,878	$3,697	$3,812	$3,808	$3,842	$15,159	$3,937	$4,079	$4,075	$4,111	$16,202	$17,336	$18,550
YoY	*28.2%*	*14.7%*	*1.5%*	*12.8%*	*14.6%*	*7.1%*	*8.7%*	*7.0%*	*9.2%*	*6.5%*	*7.0%*	*7.0%*	*7.0%*	*6.9%*	*7.0%*	*7.0%*
QoQ					*3.0%*	*3.1%*	*-0.1%*	*0.9%*		*2.5%*	*3.6%*	*-0.1%*	*0.9%*			
Gaming (Hardware, Xbox Live, Video Games, 3rd Party Royalties)	$16,230	$15,466	$21,503	$23,455	$5,508	$5,958	$5,341	$4,774	$21,581	$5,173	$5,831	$5,129	$4,471	$20,604	$20,591	$20,580
YoY	*5.6%*	*-4.7%*	*39.0%*	*9.1%*	*-2.0%*	*-9.5%*	*-6.6%*	*-13.7%*	*-8.0%*	*-6.1%*	*-2.1%*	*-4.0%*	*-6.3%*	*-4.5%*	*-0.1%*	*-0.1%*
QoQ					*-0.4%*	*8.2%*	*-10.4%*	*-10.6%*		*8.4%*	*12.7%*	*-12.0%*	*-12.8%*			
Other (Mostly Retail Stores ex-Surface, ex-Xbox)	$370	$82	$3	$2	$0	$1	$2	$0	$3	$0	$0	$0	$0	$0	$0	$0
YoY	*-24.5%*	*-77.8%*	*-96.3%*	*-33.3%*												
More Personal Computing		**$44,820**	**$50,838**	**$54,649**	**$13,756**	**$14,250**	**$13,192**	**$12,189**	**$53,387**	**$13,399**	**$14,311**	**$13,108**	**$12,202**	**$53,020**	**$54,432**	**$56,019**
YoY			*13.4%*	*7.5%*	*4.4%*	*-2.7%*	*-1.3%*	*-9.4%*	*-2.3%*	*-2.6%*	*0.4%*	*-0.6%*	*0.1%*	*-0.7%*	*2.7%*	*2.9%*
QoQ					*2.3%*	*3.6%*	*-7.4%*	*-7.6%*		*9.9%*	*6.8%*	*-8.4%*	*-6.9%*			
3 Yr Avg. QoQ					*5.9%*	*16.8%*	*-11.7%*	*-0.4%*		*4.7%*	*14.9%*	*-10.0%*	*-3.1%*			
Total Revenue		**$211,915**	**$245,122**	**$281,724**	**$77,673**	**$81,273**	**$82,886**	**$87,701**	**$329,533**	**$90,549**	**$95,503**	**$98,159**	**$105,099**	**$389,310**	**$474,072**	**$587,510**
YoY			*15.7%*	*14.9%*	*18.4%*	*16.7%*	*18.3%*	*14.7%*	*17.0%*	*16.6%*	*17.5%*	*18.4%*	*19.8%*	*18.1%*	*21.8%*	*23.9%*
QoQ		*211,915*			*1.6%*	*4.6%*	*2.0%*	*5.8%*		*3.2%*	*5.5%*	*2.8%*	*7.1%*			
3 Yr Avg. QoQ					*1.0%*	*7.0%*	*0.2%*	*6.7%*		*1.2%*	*6.8%*	*0.8%*	*6.5%*			

Source: Company data, Morgan Stanley Research estimates

Exhibit 25: Balance Sheet

	FY 2022	FY 2023	FY 2024	FY 2025	Sep-25	Dec-25	Mar-26	Jun-26E	FY 2026E	Sep-26E	Dec-26E	Mar-27E	Jun-27E	FY 2027E	FY 2028E	FY 2029E
Assets:																
Cash & Cash Equivalents	$13,931	$34,704	$18,315	$30,242	$28,849	$24,296	$32,105	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000
Short-Term Investments	90,826	76,558	57,228	64,323	73,163	65,166	46,167	58,185	58,185	58,612	52,547	44,315	37,554	37,554	48,495	1,176
Accounts Receivable	44,261	48,688	56,924	69,905	52,894	56,535	60,041	75,331	75,331	63,673	66,434	71,104	90,275	90,275	111,061	138,688
Inventory	3,742	2,500	1,246	938	1,130	1,059	1,219	1,154	1,154	1,437	1,327	1,535	1,430	1,430	1,824	2,338
Current Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	16,924	21,807	26,021	25,723	33,030	33,134	35,797	27,518	27,518	34,688	35,217	45,994	32,524	32,524	40,068	49,194
Current Assets	**$169,684**	**$184,257**	**$159,734**	**$191,131**	**$189,066**	**$180,190**	**$175,329**	**$187,188**	**$187,188**	**$183,411**	**$180,525**	**$187,948**	**$186,782**	**$186,782**	**$226,448**	**$216,397**
Property & Equipment	74,398	95,641	135,591	204,966	230,861	261,126	283,228	303,586	303,586	332,405	372,303	412,308	449,666	449,666	624,940	821,037
Equity and Other Investments	6,891	9,879	14,600	15,405	11,465	21,202	33,683	36,282	36,282	36,282	36,282	36,282	36,282	36,282	36,282	36,282
Goodwill	67,524	67,886	119,220	119,509	119,497	119,622	119,661	119,661	119,661	119,661	119,661	119,661	119,661	119,661	119,661	119,661
Other Intangibles	11,298	9,366	27,597	22,604	21,236	20,289	19,325	18,328	18,328	17,577	16,825	16,070	15,314	15,314	13,228	12,023
Long-Term Deferred Taxes	0	0	0	0				0	0	0	0	0	0	0	0	0
Other Assets	35,045	44,947	55,421	65,388	64,226	62,873	63,002	73,825	73,825	69,424	66,826	78,978	93,123	93,123	128,631	182,644
Total Assets	**$364,840**	**$411,976**	**$512,163**	**$619,003**	**$636,351**	**$665,302**	**$694,228**	**$738,870**	**$738,870**	**$758,760**	**$792,421**	**$851,247**	**$900,828**	**$900,828**	**$1,149,190**	**$1,388,045**
Liabilities & Equity:																
Accounts Payable	$19,000	$18,095	$21,996	$27,724	$32,580	$37,328	$37,513	$34,106	$34,106	$43,112	$44,995	$49,073	$41,465	$41,465	$52,888	$59,270
ST Debt	$2,749	$5,247	$8,942	$2,999	$7,832	$4,837	$8,839	$8,839	$8,839	$8,839	$8,839	$8,839	$8,839	$8,839	$8,839	$8,839
Accrued Compensation and Benefits	10,661	11,009	12,564	13,709	9,201	10,103	11,270	13,891	13,891	9,663	10,738	12,094	15,139	15,139	12,478	8,763
Current Income Taxes	4,067	4,152	5,017	7,211	3,655	2,050	3,563	16,293	16,293	9,786	12,581	16,698	19,763	19,763	24,213	30,623
Current Unearned Revenue	45,538	50,901	57,582	64,555	58,987	51,376	50,924	62,557	62,557	57,876	53,518	52,472	63,944	63,944	65,371	66,841
Current Deferred Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Securities Lending Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	13,067	14,745	19,185	25,020	22,741	24,311	24,552	28,316	28,316	23,882	22,221	26,347	30,860	30,860	35,271	40,387
Total Current Liabilities	**$95,082**	**$104,149**	**$125,286**	**$141,218**	**$134,996**	**$130,005**	**$136,661**	**$164,002**	**$164,002**	**$153,159**	**$152,893**	**$165,523**	**$180,010**	**$180,010**	**$199,061**	**$214,723**
Long-Term Unearned Revenue	2,870	2,912	2,602	2,710	2,546	2,668	2,753	6,187	6,187	5,724	5,293	5,190	6,324	6,324	6,465	6,611
Other Long-Term Liabilities	53,314	56,702	73,110	91,444	100,357	106,329	109,024	95,878	95,878	97,086	100,353	115,122	116,024	116,024	145,938	182,864
Long term Debt	47,032	41,990	42,688	40,152	35,376	35,425	31,423	31,423	31,423	31,423	31,423	31,423	31,423	31,423	76,423	76,423
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	**$198,298**	**$205,753**	**$243,686**	**$275,524**	**$273,275**	**$274,427**	**$279,861**	**$297,489**	**$297,489**	**$287,392**	**$289,962**	**$317,258**	**$333,781**	**$333,781**	**$427,888**	**$480,621**
Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock and Paid-In Capital	86,939	93,718	100,923	109,095	110,964	112,788	115,069	118,706	118,706	122,326	125,961	129,611	133,278	133,278	148,102	163,183
Retained Earnings	84,281	118,848	173,144	237,731	254,873	280,789	302,526	325,902	325,902	352,270	379,727	407,606	436,998	436,998	576,429	747,469
Accumulated Other Comprehensive	(4,678)	(6,343)	(5,590)	(3,347)	(2,761)	(2,702)	(3,228)	(3,228)	(3,228)	(3,228)	(3,228)	(3,228)	(3,228)	(3,228)	(3,228)	(3,228)
Shareholders' Equity	**$166,542**	**$206,223**	**$268,477**	**$343,479**	**$363,076**	**$390,875**	**$414,367**	**$441,380**	**$441,380**	**$471,368**	**$502,459**	**$533,989**	**$567,047**	**$567,047**	**$721,302**	**$907,424**
Total Liabilities & Equity	**$364,840**	**$411,976**	**$512,163**	**$619,003**	**$636,351**	**$665,302**	**$694,228**	**$738,870**	**$738,870**	**$758,760**	**$792,421**	**$851,247**	**$900,828**	**$900,828**	**$1,149,190**	**$1,388,045**

Source: Company data, Morgan Stanley Research estimates

Exhibit 26: Cash Flow Statement

	FY 2022	FY 2023	FY 2024	FY 2025	Sep-25	Dec-25	Mar-26	Jun-26E	FY 2026E	Sep-26E	Dec-26E	Mar-27E	Jun-27E	FY 2027E	FY 2028E	FY 2029E
Net Income	$72,738	$72,361	$88,136	$101,832	$27,747	$38,458	$31,778	$31,254	$129,237	$34,892	$35,976	$36,400	$37,912	$145,180	$176,459	$220,544
Depreciation and Amortization	14,460	13,861	22,287	34,153	13,061	9,198	10,167	10,791	43,217	11,599	12,721	13,878	15,019	53,217	74,229	103,404
Stock-Based Compensation	7,502	9,611	10,734	11,974	2,983	3,219	3,081	3,096	12,379	3,112	3,127	3,143	3,159	12,541	12,794	13,052
Tax Benefit from Exercise of Stock Options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Taxes	(5,702)	(6,059)	(4,738)	(7,056)	2,491	4,446	2,602	0	9,539	0	0	0	0	0	0	0
(Gain) / Loss on Sale of Short-Term Investme	(409)	196	305	609	(1,007)	(9,931)	(1,280)	0	(12,218)	0	0	0	0	0	0	0
Acquired In-Process R&D	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0
Cumulative Change in Accounting	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0
Other Items	0	0	0	0	0		0		0					0	0	0
Funds from Operations	**$88,589**	**$89,970**	**$116,724**	**$141,512**	**$45,275**	**$45,390**	**$46,348**	**$45,142**	**$182,155**	**$49,604**	**$51,824**	**$53,421**	**$56,090**	**$210,939**	**$263,482**	**$337,000**
(Inc.) Dec. in Accounts Receivable	(6,834)	(4,087)	(7,191)	(10,581)	16,490	(3,436)	(4,707)	(15,290)	(6,943)	11,658	(2,761)	(4,671)	(19,171)	(14,944)	(20,786)	(27,628)
(Inc.) Dec. in Other Current Assets	(1,832)	(749)	(364)	(2,736)	(1,354)	689	597	8,344	8,276	(7,453)	(419)	(10,984)	13,575	(5,281)	(7,939)	(9,640)
(Inc.) Dec. in Other Long-Term Assets	(2,805)	(2,833)	(6,817)	(2,950)	(394)	(1,288)	(932)	(10,823)	(13,437)	4,401	2,599	(12,152)	(14,145)	(19,298)	(35,508)	(54,013)
Inc. (Dec.) in Other Current Liabilities	5,287	(449)	8,412	6,492	(6,121)	3,999	4,859	15,707	18,444	(6,161)	4,092	13,676	3,015	14,622	17,624	14,192
Inc. (Dec.) in Other Long-Term Liabilities	1,521	195	2,436	(1,013)	(3,421)	(2,113)	680	(13,146)	(18,000)	1,208	3,267	14,769	902	20,146	29,915	36,925
Booking of Unearned Revenue	111,297	111,723	147,678	185,314	44,611	44,719	54,633	67,403	211,366	48,887	51,589	58,034	69,129	227,638	245,773	265,356
Recognition of Unearned Revenue	(106,188)	(106,188)	(142,330)	(179,876)	(50,029)	(52,202)	(54,799)	(52,336)	(209,366)	(54,031)	(56,378)	(59,183)	(56,523)	(226,115)	(244,204)	(263,741)
Change in Net Working Capital	**$446**	**($2,388)**	**$1,824**	**($5,350)**	**($218)**	**($9,632)**	**$331**	**($141)**	**($9,660)**	**($1,491)**	**$1,989**	**($511)**	**($3,218)**	**($3,232)**	**($15,125)**	**($38,548)**
Cash Flow from Operations	**$89,035**	**$87,582**	**$118,548**	**$136,162**	**$45,057**	**$35,758**	**$46,679**	**$45,000**	**$172,494**	**$48,113**	**$53,814**	**$52,909**	**$52,872**	**$207,707**	**$248,356**	**$298,452**
YoY Growth	16%	-2%	35%	15%	32%	60%	26%	6%	27%	7%	50%	13%	17%	20%	20%	20%
Capital Expenditures	(23,886)	(28,107)	(44,477)	(64,551)	(19,394)	(29,876)	(30,876)	(29,888)	(110,034)	(38,905)	(51,088)	(52,335)	(50,810)	(193,138)	(242,018)	(290,507)
Acquisitions, Net of Cash Acquired	(22,038)	(1,670)	(69,132)	(5,978)	(578)	(455)	(258)	(263)	(1,554)	(763)	(778)	(794)	(810)	(3,145)	(5,399)	(7,790)
Purchase of Short-Term Investments	(26,456)	(37,651)	(17,732)	(29,775)	(17,671)	(9,845)	(12,006)	(31,018)	(70,540)	(19,428)	(12,935)	(10,768)	(12,239)	(55,369)	(86,941)	(28,681)
Proceeds from Sales/Maturities of Short-Term	44,894	47,864	35,669	25,388	9,293	18,108	18,334	19,000	64,735	19,000	19,000	19,000	19,000	76,000	76,000	76,000
Proceeds from Sales/Maturities of Long-Term	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	(2,825)	(3,116)	(1,298)	2,317	(6,209)	(637)	(2,599)	(2,599)	(12,044)	0	0	0	0	0	0	0
Net Cash Used in Investing Activities	**($30,311)**	**($22,680)**	**($96,970)**	**($72,599)**	**($34,559)**	**($22,705)**	**($27,405)**	**($44,768)**	**($129,437)**	**($40,096)**	**($45,801)**	**($44,897)**	**($44,859)**	**($175,652)**	**($258,358)**	**($250,978)**
Debt issuance (repayment)	(9,023)	(2,750)	575	(8,962)	0	(3,000)	0	0	(3,000)	0	0	0	0	0	45,000	0
Common Stock Dividends	(18,135)	(19,800)	(21,771)	(24,082)	(6,169)	(6,762)	(6,756)	(6,722)	(26,409)	(7,367)	(7,363)	(7,364)	(7,363)	(29,458)	(32,401)	(35,623)
Proceeds from Sale of Common Stock	1,841	1,866	2,002	2,056	689	259	541	541	2,030	508	508	508	508	2,030	2,030	2,030
Repurchase of Common Stock (Treasury Shar	(32,696)	(22,245)	(17,254)	(18,420)	(5,650)	(7,415)	(4,627)	(1,157)	(18,849)	(1,157)	(1,157)	(1,157)	(1,157)	(4,627)	(4,627)	(13,881)
Other	(863)	(1,006)	(1,309)	(2,291)	(669)	(699)	(509)	0	(1,877)	0	0	0	0	0	0	0
Net Cash Provided by Financing Activities	**($58,876)**	**($43,935)**	**($37,757)**	**($51,699)**	**($11,799)**	**($17,617)**	**($11,351)**	**($7,337)**	**($48,104)**	**($8,017)**	**($8,012)**	**($8,013)**	**($8,013)**	**($32,055)**	**$10,002**	**($47,474)**
Translation Gains (Losses)	(141)	(194)	(210)	63	(92)	11	(114)	0	(195)	0	0	0	0	0	0	0
Inc. (Dec.) in Cash and Cash Equivalents	**($293)**	**$20,773**	**($16,389)**	**$11,927**	**($1,393)**	**($4,553)**	**$7,809**	**($7,105)**	**($5,242)**	**$0**	**$0**	**($0)**	**$0**	**($0)**	**($0)**	**$0**
Beginning Cash and Cash Equivalents	14,224	13,931	34,704	18,315	30,242	28,849	24,296	32,105	30,242	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Ending Cash and Cash Equivalents	**$13,931**	**$34,704**	**$18,315**	**$30,242**	**$28,849**	**$24,296**	**$32,105**	**$25,000**	**$25,000**	**$25,000**	**$25,000**	**$25,000**	**$25,000**	**$25,000**	**$25,000**	**$25,000**

Source: Company data, Morgan Stanley Research estimates

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of June 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1544	42%	453	49%	29%	757	44%
Equal-weight/Hold	1577	43%	390	42%	25%	769	44%
Not-Rated/Hold	3	0%	1	0%	33%	1	0%
Underweight/Sell	544	15%	89	10%	16%	204	12%
Total	3,668		933			1731	

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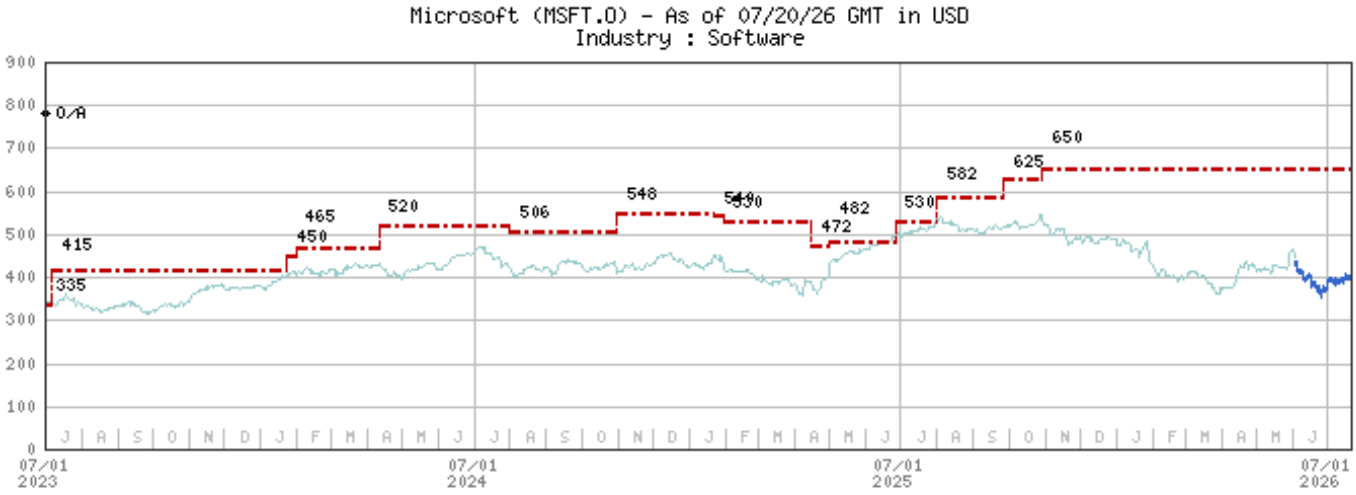
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 7/1/21 : O/A

Price Target History: 4/28/21 : 300; 7/28/21 : 305; 9/14/21 : 331; 10/27/21 : 364; 1/26/22 : 372; 7/12/22 : 354; 10/14/22 : 325; 10/26/22 : 307; 4/26/23 : 335; 7/6/23 : 415; 1/23/24 : 450; 1/31/24 : 465; 4/11/24 : 520; 7/31/24 : 506; 10/31/24 : 548; 1/22/25 : 540; 1/30/25 : 530; 4/15/25 : 472; 5/1/25 : 482; 6/26/25 : 530; 7/31/25 : 582; 9/26/25 : 625; 10/30/25 : 650

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
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Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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INDUSTRY COVERAGE: Software

COMPANY (TICKER)	RATING (AS OF)	PRICE* (07/20/2026)
Chris Quintero		
BILL Holdings Inc (BILL.N)	E (06/10/2025)	$45.18
Blackline Inc (BL.O)	O (09/29/2024)	$30.20
Descartes Systems Group Inc (DSGX.O)	O (01/15/2026)	$73.68
Intuit (INTU.O)	O (02/26/2025)	$293.82
Manhattan Associates Inc. (MANH.O)	E (10/21/2025)	$165.51
Navan Inc (NAVN.O)	O (11/24/2025)	$27.73
Samsara Inc (IOT.N)	E (03/23/2023)	$38.55
SPS Commerce Inc (SPSC.O)	E (11/11/2025)	$65.72
Vertex Inc. (VERX.O)	O (01/17/2024)	$12.89
Workday Inc (WDAY.O)	E (02/19/2025)	$147.22
Elizabeth Porter, CFA		
Adobe Inc. (ADBE.O)	E (09/24/2025)	$234.74
Amplitude Inc. (AMPL.O)	O (01/15/2026)	$9.83
Autodesk (ADSK.O)	O (08/23/2024)	$217.80
Figma Inc (FIG.N)	E (08/25/2025)	$24.02
Five9 Inc (FIVN.O)	E (10/10/2022)	$25.70
Freshworks Inc (FRSH.O)	E (10/18/2021)	$11.05
GoDaddy Inc (GDDY.N)	E (07/19/2021)	$94.84
HubSpot, Inc. (HUBS.N)	O (03/21/2023)	$231.21
Klaviyo, Inc (KVYO.N)	O (04/29/2026)	$18.15
LegalZoom.com Inc (LZ.O)	U (07/28/2022)	$7.70
Liveramp Holdings Inc (RAMP.N)	E (01/13/2025)	$37.78
NICE Ltd. (NICE.O)	O (10/16/2023)	$101.34
RingCentral Inc (RNG.N)	E (08/08/2023)	$40.74
Salesforce, Inc. (CRM.N)	O (12/21/2023)	$173.79

Sprinklr Inc (CXM.N)	E (07/19/2021)	$5.95
Sprout Social Inc (SPT.O)	E (11/17/2020)	$8.41
Twilio Inc (TWLO.N)	O (02/24/2025)	$205.24
Wix.Com Ltd (WIX.O)	O (01/13/2025)	$53.36
Zeta Global Holdings Corp (ZETA.N)	E (08/01/2024)	$21.34
ZoomInfo Technologies Inc (GTM.O)	E (02/01/2024)	$3.13
Josh Baer, CFA		
Asana Inc (ASAN.N)	U (05/20/2025)	$7.60
Box Inc (BOX.N)	E (05/21/2024)	$30.85
CCC Intelligent Solutions Holdings Inc (CCC.O)	O (11/13/2024)	$6.26
Commerce.com Inc. (CMRC.O)	++	$2.99
CoreWeave (CRWV.O)	E (04/22/2025)	$73.06
Coursera, Inc. (COUR.N)	E (04/22/2026)	$5.46
DigitalOcean Holdings Inc (DOCN.N)	O (01/16/2025)	$119.09
Docebo Inc. (DCBO.O)	E (05/12/2025)	$19.48
DocuSign Inc (DOCU.O)	E (01/16/2024)	$52.30
Lightspeed Commerce Inc. (LSPD.N)	E (02/18/2021)	$10.37
Microsoft (MSFT.O)	O (01/13/2016)	$402.29
monday.com Ltd (MNDY.O)	O (08/12/2025)	$76.75
Nebius Group NV (NBIS.O)	E (01/15/2026)	$182.62
Sabre Corp (SABR.O)	E (03/16/2021)	$1.72
ServiceTitan Inc (TTAN.O)	O (01/20/2026)	$79.46
Shopify Inc (SHOP.O)	O (04/19/2024)	$124.48
Toast, Inc. (TOST.N)	O (12/16/2021)	$30.85
Via Transportation Inc (VIA.N)	O (01/20/2026)	$18.59
Zoom Communications (ZM.O)	E (10/11/2022)	$90.91
Meta A Marshall		
Check Point Software Technologies Ltd. (CHKP.O)	E (10/16/2023)	$135.73
CrowdStrike Holdings Inc (CRWD.O)	O (03/10/2026)	$198.49
Fortinet Inc. (FTNT.O)	U (09/02/2025)	$160.36
Gen Digital Inc. (GEN.O)	E (06/07/2024)	$26.68
Netskope, Inc. (NTSK.O)	O (10/13/2025)	$13.52
Okta, Inc. (OKTA.O)	O (12/02/2024)	$148.41
Palo Alto Networks Inc (PANW.O)	O (10/10/2017)	$348.66
Qualys Inc (QLYS.O)	U (02/09/2021)	$156.37
Rapid7 Inc (RPD.O)	E (08/11/2015)	$11.95
SailPoint Inc (SAIL.O)	O (09/02/2025)	$15.22
SentinelOne, Inc. (S.N)	E (12/02/2024)	$19.46
Tenable Holdings Inc (TENB.O)	E (12/02/2024)	$37.76
Varonis Systems, Inc. (VRNS.O)	E (01/26/2026)	$47.45
Zscaler Inc (ZS.O)	E (04/22/2026)	$149.82
Sanjit K Singh		
Akamai Technologies, Inc. (AKAM.O)	O (01/12/2026)	$123.13
Appian Corp (APPN.O)	E (04/30/2026)	$26.03
Atlassian Corporation PLC (TEAM.O)	O (01/13/2020)	$96.43
C3.ai (AI.N)	U (01/04/2021)	$8.61
Cloudflare Inc (NET.N)	O (12/02/2024)	$272.42
Datadog, Inc. (DDOG.O)	O (01/12/2026)	$263.20
Dynatrace Inc (DT.N)	E (02/13/2024)	$44.71
Elastic NV (ESTC.N)	O (12/16/2024)	$62.74
GitLab Inc (GTLB.O)	E (01/12/2026)	$34.07
JFrog Ltd. (FROG.O)	O (12/21/2023)	$90.43
MongoDB Inc (MDB.O)	O (04/12/2023)	$323.36
Oracle Corporation (ORCL.N)	E (01/15/2019)	$121.38
PagerDuty, Inc. (PD.N)	E (01/24/2024)	$10.34

Palantir Technologies Inc. (PLTR.O)	E (02/04/2025)	$134.85
ServiceNow Inc (NOW.N)	O (09/24/2025)	$104.70
Snowflake Inc. (SNOW.N)	O (06/24/2025)	$274.34
UiPath Inc (PATH.N)	E (09/07/2022)	$12.16

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